Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.800	Israel	Shk4.00	Philippines	Pes40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Esc165
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S.Arabia	SR8.00
Finland	FM8.50	Lebanon	L£1,080	Singapore	S$4.10
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malaysia	M$4.25	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft120	Neth	Fl 3.50	Thailand	Bt50
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din0.800
India	Rs20	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,384

Wednesday February 20 1991

D 8523A

BULGARIA
Living with the legacy of the past
Page 16

World News

Roh purges party over South Korean bribe scandal

Roh Tae Woo, South Korea's president, apologised for a large bribery scandal and reshuffled the ruling party in an attempt to limit political damage from the affair.

A conglomerate allegedly paid more than $1m in bribes to politicians to secure permission for a housing project. Page 4

Gatt talks hope

EC external affairs chief Frans Andriessen said that the EC should be prepared to take the initiative in the Uruguay Round of trade talks which resume today. Earlier report, Page 7

Soviet crime wave

Crime in the Soviet Union soared 13 per cent to 2.8m reports last year, the biggest increase for nearly half a century. Page 5

New year tragedy

A crowded bridge collapsed near the ancient Chinese city of Xian, killing 23 holidaymakers and injuring a further 140 during the Lunar New Year.

Autobahn pile-up

Five people were killed and many injured in a crash along the Hanover-Oberhausen autobahn near Herford, Germany, after three lorries skidded into oncoming traffic.

Greece pressured

The European Commission said it would take Greece to court for making foreigners pay to visit museums and archaeological sites while letting Greeks in free of charge.

Kaunda overruled

A Zambian court overruled President Kenneth Kaunda's order to stop the press from reporting on election campaigning by opposition parties. Rediscovering tobacco road, Page 4

Menem intervenes

Argentina's president Carlos Menem sent his presidential jet and three military aircraft to help shift up to 6,000 holidaymakers stranded by a week-long railway strike. Page 7

Philippines violence

An upsurge of violence has claimed 56 lives in the Philippines over the past three days, including a grenade attack by rebels on a crowded minibus which killed 10 people.

Peace talks delay

Peace talks between Ethiopia and Eritrean rebels scheduled to begin in Washington were postponed until tomorrow, at the request of the Eritreans.

Stasi trial date

Erich Mielke, 83, head of the former East German spy police, may go on trial within the next four months charged with telephone tapping and election rigging, a justice official said. Private lines unearthed, Page 4

Zanzibar drownings

Up to 64 people, including a German tourist, were feared drowned after a 60-tonne passenger boat capsized in stormy seas off the island of Zanzibar, near Tanzania.

Relatives get cash

The Thai cabinet approved 27m baht ($1.08m) in aid for relatives of 171 people killed and 116 injured when a truck-load of detonators exploded in a southern province.

Czech backtrack

The Czech parliament debated a unique but controversial scheme to return property nationalised by Communists to its original owners.

Six hour Tube ordeal

Some 3,000 commuters were stranded for up to six hours in the London Underground after bomb alarms and a fire on a train brought the Central Line to a halt. Page 8

Business Summary

French output down by 4% before start of Gulf war

First clear signs that the French economy was in recession even before the start of the Gulf war have emerged with news of a sharp decline in industrial output in the closing months of last year.

The figures, published by the statistical office, showed that industrial output fell in December for the fourth month running. The decline, 4 per cent down from November, was steeper than for the rest of the economy, with the car and steel industries especially hard hit. Page 16

SOVIET Union: leaders of hundreds of enterprises are set to launch a counter-attack on the reimposition of central controls over the Soviet economy, calling for the repeal of a string of recent government decrees. Page 16

MARKETS: In New York, the Dow Jones Industrial Average had fallen 15.84 to 2,918.81 at 1.30pm as the stock market waited to see whether the Soviet-inspired Gulf war peace proposal had any chance of success. Frankfurt: the DAX index rose 14.56, less than 1 per cent at 1,587.13 after peaking at 1,604.18. In Tokyo, profit-taking pushed the market slightly lower after the market's sharp rise on Monday, the Nikkei average closing 63.03 lower at 26,166.98. Volume rose to 1.5bn shares, the highest level since November 29, 1989. Paris enjoyed unusually heavy volume for the penultimate day of the trading account, with turnover growing to about FFr3.1bn from FFr2.5bn. The CAC 40 index closed at 1,700.93, up 5.97, on Wall Street's early weakness. World Stock Markets, Back Page, Section II

INTERNATIONAL Computers, UK-based computer maker now a member of the Japanese Fujitsu group, has won a £9m ($17.8m) order from the Spanish Ministry of Social Security and Labour. Page 6

FORMAL creation of a joint venture between Foster's Brewing Group, formerly Elders IXL of Australia, and Holsten-Brauerei, Germany's fourth-largest brewer, has been held up due to technical problems. Page 17

US transport secretary Samuel Skinner urged Congress to consider allowing foreign investors to take a larger stake in US airlines. Page 17

ALGOMA Steel Corp, Canadian steelmaker, has staved off collapse with a C$60m ($52m) bank loan guaranteed by the federal and Ontario governments and Dofasco, Algoma's parent. Page 18

AECI, South Africa's largest diversified chemicals group, posted net trading income down sharply to R499m ($197m) from R604m. Page 18

ISRAELI government is to proceed with the sale of its majority share in Israel Discount Bank, the country's third largest, to the Recanati family, its original owners, despite a recommendation by the Bank of Israel that they should be disqualified. Page 18

FLETCHER Challenge Canada has had its credit rating downgraded by Dominion Bond Rating Services for having too much debt in relation to shareholders' funds. Page 18

ABITIBI-PRICE, Canadian newsprint producer controlled by Toronto's Reichmann family, suffered a C$44.6m (US$38.7m) loss last year compared with a profit of C$54.2m in 1989. Page 18

MORGAN Stanley, US financial group, closed its Hong Kong International Equities division and laid off its eight brokers. Page 20

SPAIN's economy will grow 2.5 per cent this year if labour costs are kept within reasonable limits, Bank of Spain governor Mariano Rubio said.

Saddam under pressure to respond rapidly to Moscow initiative

Bush dismisses peace bid

By John Lloyd in Moscow, **Peter Riddell** in Washington and **Robert Graham** in London

US President George Bush yesterday dismissed as inadequate the terms under which the Soviet Union has been trying to broker an Iraqi withdrawal from Kuwait.

But in a carefully worded statement, Mr Bush did not reject out of hand the Soviet Union's diplomatic efforts to avert an imminent ground war to liberate Kuwait.

He also declined to disclose the content of the Soviet proposals which had been passed to Washington on Monday after they had been put to Mr Tariq Aziz, the Iraqi foreign minister, in Moscow.

But the Soviet Union was reportedly insisting that President Saddam Hussein of Iraq drop virtually all the conditions raised in his offer to withdraw from Kuwait last Friday.

Yesterday, Mr Aziz handed the Soviet proposals to Mr Saddam in Baghdad and the Iraqi leadership last night was under pressure to reply at the latest by tomorrow.

The US president said he had told President Mikhail Gorbachev, the Soviet leader, of his views: "I've been frank with him on this, while expressing appreciation for his sending it (the Soviet peace proposal) to us, it falls well short of what would be required."

Mr Bush, who read from prepared notes, merely added: "I would leave it right there for now."

Mr Bush was yesterday reportedly reluctant to initiate at this stage any process which might seem like negotiation.

Instead, he and his officials insisted on the need to continue the military campaign and eject Iraq from Kuwait without conditions.

"The goals have been set out. There will be no concessions: I'm not going to give," Mr Bush said.

His views were backed by the British government and appeared to be endorsed by Saudi Aarbia and the other Gulf states in the 28-nation coalition.

A more upbeat assessment was given by Mr Ali Akbar Velayati, the Iranian foreign minister, who has been trying to bring about peace in the Gulf and avoid a ground war.

"We believe that all efforts should be directed towards finding a political solution," he said yesterday in Bonn.

He added: "In my discussions with the foreign minister of Iraq, I found that Iraq is prepared for such a solution. It is important and necessary that the other side also manifests the commitment to a political solution rather than a military one which would indeed be the beginning of more tension in our region."

In Moscow last night, the outlines of the Soviet plan began to emerge.

According to senior Middle Eastern diplomats, the core of the proposals was an assurance of the safety of Iraq and of its people – once an unconditional withdrawal from Kuwait had been effected under the terms of the United Nations resolutions.

The diplomats were adamant there was no guarantee for the personal security of the Iraqi

Continued on Page 16
Gulf reports, Pages 2 and 3; UK tank decision delayed, Page 10; Markets, Section II

Iraqi foreign minister Tariq Aziz greets Iranian president Akbar Rafsanjani yesterday

Allies escalate bombardment of Baghdad

By Victor Mallet in Riyadh, **Tony Walker** in Dhahran and **David White** in London

THE US-led multinational alliance yesterday kept up military pressure on Iraq by escalating its air bombardment of Baghdad and of Iraqi troops in Kuwait and by launching an increasing number of artillery strikes across the Saudi border.

A further Iraqi Scud missile fired at Israel yesterday evening was reported to have caused no casualties or damage.

On a day when the war was overshadowed by diplomatic activity in Moscow and Tehran, allied commanders expressed confidence about the progress of the fighting.

However, they also said that they were ready to respond to an Iraqi withdrawal.

"We have addressed all sorts of permutations of withdrawal," one US officer said. "We've written plans for them."

As both sides continued raids across the Saudi border, the US said that an air attack by Apache helicopters and A-10 "tankbuster" aircraft had destroyed three Iraqi tanks, the same number of armoured personnel carriers, two artillery pieces, one multiple rocket launcher, 15 trucks and two ammunition bunkers.

British Jaguar aircraft attacked artillery batteries and vehicles, and Saudi Arabia said its F-5 jets had destroyed five tanks. US aircraft continued to attack suspected Scud launchers. US Marines bombarded Iraqi bunkers and troop concentrations south of the Kuwaiti town of Wafra for the second day running. British artillery was also in action for a second day.

An American A-10 aircraft was lost and the pilot reported missing.

At sea, the US guided-missile destroyer Princeton was limping southwards to Bahrain with a jammed port rudder and other damage caused when it hit a mine on Monday. Saudi officials said a field of 22 mines had been found in the area where the US amphibious vessel Tripoli was also holed by a mine on Monday.

Tank orders, Page 10

BRITAIN is becoming increasingly annoyed at the way the US appears to be influencing the awarding of billions of dollars' worth of contracts for the reconstruction of Kuwait, writes Andrew Taylor.

The Department of Trade and Industry is considering making a complaint to the US government about the extremely short notice given to UK companies seeking to register for emergency repair work.

UK companies have been given just 48 hours to register their interest in bidding for contracts to restore essential services when the war ends. Prequalification bids must be submitted by noon GMT today to the Corps of Engineers, part of the US military.

The DTI yesterday described the deadline as "absurdly short and unhelpful". Companies will not be able to tender for work unless they prequalify.

The total cost of rebuilding the country has been estimated at as much as $100bn.

Yeltsin says Gorbachev should quit, seeks public backing

By Quentin Peel
in Moscow

MR Boris Yeltsin, president of the Russian federation, yesterday called for the resignation of Mr Mikhail Gorbachev as Soviet leader, accusing him of reversing the policies of perestroika and of leading the country to a dictatorship.

In a hard-hitting and emotional interview broadcast live on Soviet television, the Russian leader called on Mr Gorbachev to hand over power to the Federation Council, the collective body representing the presidents of all the union republics.

His appeal effectively ends faint hopes for reconciliation between the two rivals of Soviet politics, bringing months of increasingly bitter skirmishing to a head.

Mr Yeltsin, whose own huge popularity has recently been waning as people face growing shortages and economic dislocation, accused the Soviet leader of "anti-people policies". These included the confiscation of banknotes, plans for swingeing administered price rises, the use of the Soviet army against civilian demonstrators, allowing the collapse of the economy and a sharp decline in the living standards of the people.

"These are the results of six years of perestroika," he said. "Today a retreat is under way... We will not be able to live better while the present centre exists.

"I dissociate myself from the position and policies of the president. I call for his immediate resignation and the transfer of power to the collective body, the Federation Council of republics."

Calling for the support of the Russian people in his battle for power with Mr Gorbachev and the ruling Communist party, Mr Yeltsin declared: "I have made my choice, and everyone should make his choice and define his stand."

He read out his prepared statement at the end of the interview, grudgingly granted to him after weeks of negotiations with the pro-Gorbachev management of the state broadcasting system.

The broadcast is by far the most bitter and direct attack on the Soviet leader that Mr Yeltsin has made, and one to which Mr Gorbachev cannot fail to respond.

Mr Yeltsin has been under

Continued on Page 16
Soviet crime wave, Page 5

Brazil car group cuts 8,000 jobs as economic squeeze hits sales

By Christina Lamb *in Rio de Janeiro*

AUTOLATINA, the holding company for Ford and Volkswagen in Brazil, is to shed more than 8,000 assembly workers. The 16 per cent cut in personnel represents one of Brazil's biggest private sector dismissals.

The bulk of the redundancies – 5,110 employees – are to receive dismissal notices today, with plans for a further 3,000 workers to take voluntary redundancy.

Autolatina, Brazil's largest car company with a 60 per cent market share, blamed falling sales for its surprise decision.

An Autolatina spokesman said: "Since November our sales have fallen by 20 per cent on what was already a bad year. We had to cut production and obviously that meant cutting personnel. We may still have to reduce more."

The news, clearest sign yet of the depth of Brazil's recession, came amid figures released by the São Paulo Federation of Industries (FIESP) showing unemployment last month to have risen by the largest amount since figures began in 1980. About 69,000 workers were laid off in January in São Paulo, more than in the entire year of 1982.

The metalworkers' union reacted angrily to the Autolatina decision, which is likely to have a knock-on effect on connected industries such as glass and steel as well as on 80,000 people employed in components factories.

A recent study by Anfavea, the Brazilian Association of Vehicle Producers, showed that for every one worker involved in production a further 29 are required in connected employment, suggesting that the Autolatina layoffs dismissals could result in more than 232,000 redundancies.

Workers at Autolatina's two biggest factories stopped production yesterday and held large protests, blocking a highway. Mr Vicente da Silva, president of the union at the Volkswagen factory in São Bernardo, said: "We will not accept these arbitrary dismissals."

But Mr Antonio Flores, head of the Sao Paulo metalworkers, Latin America's largest union, said he feared that by striking they may be playing into the company's hands: "Everytime Autolatina wants to fight with the government over prices it's the workers who pay."

Autolatina is locked in a battle with the government over recent price increases which the economy ministry considers "abusive". Prices are now frozen as the result of an economic package announced by the government at the end of last month.

The company has also been lobbying to prevent the government reducing tariffs on imported cars. Its announcement of dismissals coincided with the leaking of news that

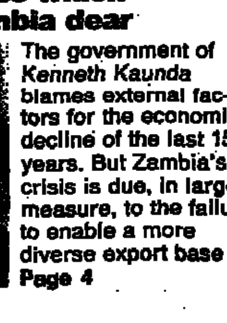
Continued on Page 16

IVECO, the trucks subsidiary of the Fiat automotive and industrial group, is planning to axe almost 3,000 of its 38,000 workers as a result of the fall in European demand.

The company will put detailed proposals to its unions on Friday. Page 5

CONTENTS

Policy mistakes which have cost Zambia dear



The government of *Kenneth Kaunda* blames external factors for the economic decline of the last 15 years. But Zambia's crisis is due, in large measure, to the failure to enable a more diverse export base
Page 4

MARKETS

STERLING
New York lunchtime:
$1.95
London:
$1.952 (1.96)
DM2.9125 (2.91)
FFr9.92 (9.9025)
SFr2.4975 (2.495)
Y256.75 (255.5)
£ Index 94.2 (same)

GOLD
New York: Comex Apr
$366.2
London:
$362.25 (363.9)

N SEA OIL (Argus)
Brent 15-day Apr
$16.75 (16.85)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.494
FFr5.0825
SFr1.2802
Y131.7
London:
DM1.4925 (1.4845)
FFr5.0825 (5.0525)
SFr1.28 (1.273)
Y131.5 (130.4)
$ Index 60.5 (60.3)
Tokyo close: Y130.55

US lunchtime rates
Fed Funds $5\frac{7}{8}$%
3-mo Treasury Bills:
yield: 6.099%
Long Bond:
$98\frac{23}{32}$
yield: 7.962%

STOCK INDICES
FT-SE 100:
2,312.4 (-5.9)
FT Ordinary:
1,838.5 (-4.1)
FT-A All-Share:
1,115.14 (-0.2%)
New York lunchtime:
DJ Ind. Av.
2,918.32 (-16.33)
S&P Comp
367.84 (-1.22)
Tokyo: Nikkei
26,166.98 (-63.03).

LONDON MONEY
3-month interbank:
closing 13 ($13\frac{1}{16}$)
Liffe long gilt future:
$93\frac{11}{32}$ ($93\frac{9}{16}$)

Ministers differ in degrees of optimism

EC welcomes Soviet plea for Iraqi pullout

By David Buchan in Luxembourg

EUROPEAN Community foreign ministersyesterday welcomed President Gorbachev's "appeal" to Iraq to pull out from Kuwait, despite differing degrees of optimism that the Soviet move would have any effect.

The special meeting, called mainly to discuss the EC's long-term strategy towards the Middle East, was overshadowed by uncertainty over the last minute Moscow-Baghdad diplomacy, on the eve of the expected allied land attack on Iraqi forces.

This uncertainty was compounded by the fact that four ministers – from the UK, France, Germany and Italy – had been told by Moscow of its plan, but at Soviet insistence kept the content confidential and their eight EC colleagues in the dark.

Mr Douglas Hurd, the UK foreign secretary, was perhaps the most sceptical of a positive response from Iraq, accusing President Saddam of playing for time and saying that he had learnt nothing that would call for a ceasefire. But if the Iraqi leader changed his mind, he could still "gain the lives of his soldiers," Mr Hurd said.

The 12 ministers' statement calls for an international conference "at an appropriate time" to try to settle the Arab-Israeli conflict and the Palestinian issue. Mr Hans Van Den Broek, the Dutch foreign minister, cautioned whether Israel would ever accept Palestine Liberation Organisation representation after the war. But other ministers said leaving the PLO out of the EC's first round of diplomacy did not mean that the Community had decided to cut links with that organisation.

Mr Gianni De Michelis, the Italian foreign minister, put the same stress on Iraq's unconditional and total withdrawal from Kuwait. This, he said, was the most important element of the Gorbachev appeal. "But if it is accepted, we will discuss the other elements (of Moscow's plan)," the Italian minister said. Ministers' main business was to set broad guidelines for three of their number, the EC "troika" of the Luxembourg, Dutch and Italian foreign ministers, to embark next week on a series of meetings with Egypt, Syria, the Gulf and the Maghreb countries.

They all agreed that last week's call by Egypt, Syria and the Gulf states for the Arab League to be revived and for Arab regional security arrangements showed the wisdom of letting states in the region take the lead.

Europe could make its own contribution, said Mr Jacques Poos, foreign minister of Luxembourg, which holds the EC presidency, by encouraging Mediterranean and Middle East states to form a conference on security and co-operation in the Mediterranean (CSCM), as had been done so successfully in Europe. Four EC southern states, France, Italy, Spain and Portugal, said yesterday they would soon present EC partners with a full proposal on a CSCM.

The European Commission is today expected to finalise a proposal for Ecu150m (£106m) aid to Israel, balanced with Ecu100m aid to the Palestinians. The plan will be put to ministers for decision in early March, with the caveat from the Commission that it will break existing EC budget limits.

Diplomacy enjoys a brief return to centre stage

There is not much time to find common ground and halt the momentum for a ground attack, writes Robert Graham

THE prospect of an Iraqi withdrawal from Kuwait to avoid a land war momentarily switched the spotlight to diplomacy.

Iraq's President Saddam Hussein has been attempting to arrange a pullout with a face-saving formula that would overturn all but one of the 12 United Nations resolutions passed since the invasion of Kuwait last August.

This is manifestly unacceptable to the [illegible] allied coalition, although the Soviet Union is desperately trying, against the clock, to find common ground within the framework of existing UN Security Council resolutions.

The Soviet proposals have not been made public, suggesting there is still some flexibility.

But enough hints have been dropped by spokesmen in Moscow to indicate the Soviets are pushing for an Iraqi withdrawal from Kuwait on the basis of a minimalist interpretation of UN resolutions.

In essence, the Soviet proposals would prevent the US-led alliance from achieving the ever more openly stated objective of removing President Saddam. But it would avoid a potentially bloody land war and the problems of dealing with a humiliated Iraq.

The wide gap between these positions explains President George Bush's coolly dismissive response yesterday to the proposals.

Nevertheless, there is perhaps little more than 24 hours to find common ground and halt the seemingly unstoppable momentum building up for an allied ground attack to liberate Kuwait.

Mr Tariq Aziz, the Iraqi foreign minister, recognised this urgency when he met Iranian President Ali Akbar Hashemi Rafsanjani in Tehran yesterday. Tehran Radio quoted him as saying: "The acceptance of UN Security Council Resolution 660 and starting negotiations on a withdrawal from Kuwait is a serious step on which we still insist."

Iraq's offer of a conditional withdrawal offer, made last Friday, was framed entirely in the context of Resolution 660. Indeed, the Iraqi leadership demanded that the Security Council abolish the other 11 resolutions relating to the invasion of Kuwait, as well as remove "all effects resulting from them".

There are two basic elements to Resolution 660: an immediate and unconditional Iraqi withdrawal from Kuwait, coupled with intensive efforts to resolve outstanding differences between Iraq and Kuwait. Passed on August 2, the day of the invasion, this reflected the belief, especially in the Arab world, that an accommodation could be quickly reached between the two sides.

As such it is benign, not punitive. Iraq is merely asked to withdraw its troops "to the positions in which they were located on August 1, 1990". In theory, therefore, Iraqi compliance with Resolution 660 would permit Baghdad to maintain at least 100,000 troops (the minimum believed to have been brought to the border for the invasion). Such a number would be more than able to menace Kuwait.

Additionally, Iraq could argue with some justification that the call "to begin immediately intensive negotiations for the resolution of their differences" implies explicit recognition that Baghdad's grievances against Kuwait have some foundation.

In the light of what has happened since August 2, Iraq could consider itself fortunate if it only had to comply with this resolution.

Not surprisingly, President Saddam has chosen to demonstrate his commitment to the UN by offering to accept only this resolution. Subsequent ones have tightened the punitive screws.

The economic and financial embargo on Iraq was initiated by Resolution 661 on August 6. Three days later Resolution 662 invalidated Iraq's formal annexation of Kuwait.

On August 25 the Security Council voted via Resolution 665 to formalise the naval blockade of Iraq and a month later, on September 25, Resolution 670 extended this to cover air cargo.

Then Resolution 674 put Iraq on notice that it would be liable for "any loss, damage or injury arising in regard to Kuwait and third states, and their nationals and corporations".

Finally, Resolution 678 passed on November 29 opened the way for the allied war to be launched under UN blessing, by giving the Iraqis until January 15 to comply with previous resolutions. Thereafter the allied coalition was entitled to use "all necessary means" to enforce the previous 11 resolutions.

On this occasion the Security Council also approved a *crucial broadening of the* scope of allied action beyond the initial Resolution 660. The coalition was given the right under article 2 of Resolution 678 not merely to enforce Iraqi withdrawal from Kuwait but to "restore peace and security in the area".

Both the British and US governments regard this as a catch-all permit to smash President Saddam's war machine and where possible the pillars of his authority. Since they see the president and his oversized politico-military ambitions as the key element destabilising the region, they argue increasingly openly that his demise falls within the UN's mandate.

Furthermore, Washington and Whitehall believe Resolution 678 provides a mandate to set up permanent security arrangements for the Gulf – including, if necessary, the maintenance of a military presence.

The withdrawal of Iraqi troops to their positions on August 1 under Resolution 660 is clearly incompatible.

The Soviet Union has consistently emphasised its backing for military means to eject President Saddam from Kuwait. But Moscow has distanced itself from British and US talk of future security arrangements.

Soviet spokesman have also disagreed, at least in public, with any interpretation of UN resolutions which appeared to endorse President Saddam's removal. On the contrary, the current Soviet proposals for an Iraqi withdrawal reportedly contain guarantees for the Iraqi leader.

Bush walks away from the easy option

By Peter Riddell, US Editor, in Washington

US officials have been wary of a trap ever since the Soviet Union announced plans for a peace initiative.

Last night that initiative risked boxing President George Bush into a corner – from which he sought to escape by saying the terms fell well short of what was required.

Mr Bush and his advisers believe the US and its allies have Iraq on the run militarily. They are reluctant to agree any ambiguous compromise which leaves President Saddam Hussein in power with a large part of his military machine intact, as the Soviet plan seems to envisage.

The US is determined that Mr Saddam should not be rewarded for his aggression and that there should be no conditions or linkage with other issues. In US eyes there can be no negotiations, no conditions, no ceasefire. Only the start of a massive and rapid withdrawal can halt the war.

And the US may demand that Iraqi troops leave behind tanks, other heavy equipment and chemical weapons stockpiles as they withdraw.

There are some political attractions for Washington in accepting a commitment, and immediate action, by Baghdad to withdraw from Kuwait – even though US officials do not regard the Soviet initiative as so straightforward and unconditional.

Withdrawal would achieve the primary aim of UN resolutions. That could be presented as a triumph for Mr Bush, the international coalition and the new world order, achieved with remarkably low allied casualties.

As Mr Dick Cheney, US defence secretary, has said, unconditional withdrawal would be "a clear-cut victory for the coalition," since Iraq's nuclear capability for years to come has been destroyed and its strategic military capability has been "very, very severely damaged".

The allies would then contain Mr Saddam by maintaining sanctions until issues such as reparations to Kuwait, environmental pollution of the Gulf and war crimes had been resolved, and to prevent a rebuilding of Iraq's military machine.

Rejecting a withdrawal offer not only risks open divisions with Moscow but other splits in the international coalition, particularly with some European participants.

Withdrawal on its own is seen in Washington as the minimum acceptable, and not necessarily a preferable outcome. Mr Bush, in particular, has gone further in urging the Iraqi military and people to oust Mr Saddam – which Mr James Baker, US secretary of state, has described as not a war aim or goal but rather "a very desirable result".

Mr Baker has been less hawkish than Mr Bush in envisaging the containment of a post-war Iraq, which he has said the US does not want to destabilise.

However, many in Washington, as well as certain Arab members of the coalition and Israel, feel that the allies should press on until Mr Saddam and his regime are destroyed, along with more of his military capacity. This goes well beyond the strict terms of UN resolutions.

Mr Bush seems assured of majority political and public support for turning down any compromise and for maintaining the current military momentum.

A poll for the Los Angeles Times newspaper shows 85 per cent of respondents believe the war will be a success only if Mr Saddam goes. But that is before the start of a land war and possibly heavy casualties.

Britain aligns with US against peace plan

By Robert Mauthner, Diplomatic Correspondent

BRITAIN, in common with the US, does not feel the Gulf peace plan proposed by the Soviet Union meets the requirements of United Nations Security Council resolutions, government officials said yesterday.

The British view was made public after intensive discussions of the proposals between Britain, the US, and other allies of the anti-Iraq coalition in the Gulf.

In response to a Soviet request, the British government has so far declined to disclose the contents of the Soviet plan. It was communicated to Mr John Major, the prime minister, late on Monday by Mr Leonid Zamyatin, the Soviet ambassador in London.

British officials were in telephone contact with White House officials in Washington throughout the night. Early yesterday Mr Major discussed the Soviet proposals by telephone with German Chancellor Helmut Kohl, who had previously talked with Mr Mikhail Gorbachev, the Soviet president.

Mr Major then presided over a specially convened meeting of the war cabinet, composed of senior ministers, which has met regularly since the start of the Gulf conflict on June 17.

Without revealing any details of the Soviet proposals, Mr Major told a questioner in the House of Commons yesterday that President Saddam Hussein of Iraq had to withdraw "unconditionally" from Kuwait, in keeping with UN resolutions on the subject. "Until and unless he does that, the conflict will continue," he stressed.

However, officials, who later said there would be no easing of allied military operations and preparations for a ground offensive in the Gulf for the time being, gave no indication of where the Soviet proposals had fallen short of UN demands.

Mr Douglas Hogg, minister at the Foreign Office, was equally reticent about the Soviet plan, but at least threw more light on British war aims at a luncheon of diplomatic correspondents in London. However, his remarks appeared to be in conflict with some official US statements.

Neither the removal of President Saddam nor the destruction of the Iraqi armed forces and the country's infrastructure could be considered as legitimate war aims, since they were not specified in UN resolutions, he said.

"We are pursuing our campaign against the infrastructure and against the army [of Iraq] as part of a policy of expelling Iraq from Kuwait. "While we would not be distressed if someone was to persuade Saddam Hussein to stand aside, his removal or a change in the system of government in Iraq is, in no sense, a war aim."

Saudi national guardsmen train for a land offensive, when they will supplement regular forces on the front line

'Half Iraq tanks knocked out'

By David White in London, Victor Mallet in Riyadh and Tony Walker in Dhahran

UP TO half of Iraq's tanks, armoured vehicles and heavy guns in and around Kuwait are *believed by the allies to have* been destroyed or badly damaged.

Defence officials in London said that more than a third of these weapons were confirmed as having been destroyed in allied attacks. It is reckoned that at least 10 per cent more are likely to have been disabled or to be unserviceable.

Iraqi units are reported to be facing increasing problems obtaining spare parts, and to be carrying out hardly any training with their equipment.

UK defence sources yesterday gave the first reports of desertions from the Republican Guard, the elite force which Iraq has kept mostly in reserve near Kuwait's northern border. The reports are understood to have come from Iraqi prisoners of war from other units. There was no evidence yet of Republican Guard troops crossing the border to give themselves up to allied forces.

US officers said they had evidence of incidents of anti-government unrest in Iraq.

Despite the continuing damage caused by allied bombing, military experts said the Republican Guard and other armoured reserve forces were still considered capable of carrying out their fighting roles. US officers said the Republican Guard had not been damaged as badly as other units, because it had remained in dug-in positions without attempting to move.

As hopes rose and fell about the outcome of diplomatic manoeuvres yesterday, Col Barry Stevens of Britain's Royal Artillery told a briefing in Riyadh that British soldiers were not itching for a fight.

"If tomorrow Saddam Hussein said, 'I'm leaving Kuwait unconditionally,' you'd hear the cheers from here," he said.

An Iranian newspaper reported that Mr Saadoun Hammadi, Iraq's deputy prime minister, had last week put Iraqi war casualties at 20,000 dead and 60,000 wounded.

One US officer spoke of "horrendous" Iraqi casualties from the allied air bombardment, although the allied command insisted that it had not made any official or unofficial estimates.

"Their medical system is terrible," he said. "In many cases it's non-existent."

● The UK is receiving extra ammunition supplies from Germany, Italy and the Netherlands, particularly of 155mm shells. However, it is understood that none has been forthcoming from Belgium, which turned down an earlier British request for artillery shells.

Baghdad in new attack on UN chief

By Michael Littlejohns, UN Correspondent

IRAQ yesterday made public an official transcript of the Baghdad meeting last month in which Mr Javier Pérez de Cuéllar, UN secretary-general, made an abortive last-ditch appeal to President Saddam Hussein to avert a Gulf war by withdrawing from Kuwait.

The action was seen as a further slap at the UN chief, whom the Iraqis have repeatedly denounced, apparently because they feel he should have stood against the allied military offensive and tried harder to promote a political settlement. He had already told Baghdad that unilateral release of the verbatim record of the January 15 meeting would be "a serious breach of diplomatic procedure". He repeated this after Iraq's UN mission distributed the text yesterday.

Although this merely confirmed accounts printed a week ago in Jordan and picked up by the media in several countries, the fact that the Iraqis ignored his objections was seen as a sign of worsening relations between him and Baghdad that might make more difficult any post-war negotiating role he might be asked to undertake.

In preparation for that eventuality, the UN chief met senior aides yesterday for a discussion "of the possible role of the UN in the area in the period ahead, including possible peace-keeping functions".

Since the Baghdad meeting, Iraq has repeatedly denigrated Mr Pérez de Cuéllar.

Israel suffers 15th Scud attack

IRAQ fired one missile at Israel last night, but there were no immediate reports of injuries or damage, the chief army spokesman said, AP reports from Jerusalem.

Brigadier-general Nachman Shai said the missile was launched from western Iraq. He said the rocket exploded on the ground but did not say where.

About 25 minutes after alarms first warned of a missile attack, Gen Shai said all residents of Israel and the occupied territories could remove gas masks and leave sealed rooms, indicating the missile was armed with a conventional warhead.

"So far we have no reports of any injuries or damage," Gen Shai said.

Reporters in Tel Aviv said they heard sounds indicating at least two Patriot missile interceptors were fired at the incoming Iraqi missile. They also heard a third explosion they could not immediately identify.

"People living in the areas close to the (Patriot) batteries cannot miss the sound of the launching and the trail of fire that follows it," Gen Shai said. "This will of course be reported by journalists, but we have decided not to refer to this in our official announcements."

Israelis were alerted to the missile attack, Iraq's 15th against Israel since the start of the Gulf war, by the now familiar air raid alarms and the alert lasted 25 minutes.

The alarms warn citizens to put on gas masks and to enter sealed rooms.

Iraq has repeatedly threatened to use chemical weapons against the Jewish state, although all the missiles fired at Israel so far have carried conventional warheads.

The 35 previous missiles have killed two people and wounded 230; 11 other deaths have been attributed to missile attacks.

The Scuds have damaged or destroyed 10,992 apartments, according to the Israeli authorities.

Apache attack helicopters put to test — and found wanting

By Paul Abrahams

APACHE AH-64 attack helicopters have so far played a less than auspicious role in the Gulf war.

On Sunday, the Army admitted that one of the aircraft had destroyed two American military vehicles, killing two soldiers and wounding six. Of the 14 Americans killed in ground action to date, 10 have been victims of friendly fire.

So far, successful operations by the aircraft against enemy formations have been limited. An Army spokesman said yesterday that Apaches had destroyed three tanks and three armoured fighting vehicles in a joint operation with A-10 "tank-buster" ground attack jets.

The conflict is an important testing ground for the helicopter. At stake is whether the US government's decision to invest $12bn (£6bn) in the Apache programme was an inspired investment or a waste of taxpayers' money.

Devotees of the Apache have promised the helicopter, made by McDonnell Douglas, wouldrevolutionise the way the US Army destroys enemy armour.

In theory, American air cavalry squadrons comprising 30 or more of the aircraft should be able to strike as far as 150km into Iraqi-held territory and render an armoured division ineffective in less than 25 minutes. More than 185 Apaches are deployed in the Gulf.

The Apache's armament is formidable. It can carry two tons of ordnance and can engage enemy tanks at ranges of 8km using eight laser-guided hellfire anti-tank missiles, or at shorter range with its 30mm armour-piercing chain-gun ammunition and 36 free-flight anti-armour rockets.

However, despite its range and power, the effectiveness of the Apache and the role advocated by the US Army for attack helicopters is under scrutiny.

In the first place, the Apache has been plagued by unreliability. Before the Gulf conflict, the availability rate of the aircraft in the US and west Germany ranged from 29.6 per cent to 60.8 per cent, according to a report by the US congressional general accounting office last October.

The US Army calls for an availability rate of 83 per cent. Mr Thomas Gun, president of McDonnell Douglas Helicopter Company, claims the mission capable rate in Saudi Arabia has been nearly 85 per cent.

One of the main problems with the helicopter has been the reliability of its highly sophisticated systems. Its 30mm guns, for example, have been found to jam on average every 1,038 rounds compared with a target of 3,838 rounds. The manufacturers have also been forced to change the design of the tail rotor, modifying its materials, bearings and lubrications systems.

A report two years ago by the US House of Representatives oversight and investigations sub-committee, revealed, "constant and significant problems" with the helicopter. It concluded: "It is unbelievable that we are fielding overly sophisticated and outrageously expensive weapons systems for our fighting men which simply don't work."

A hand-written memo by Colonel Dennis Kerr, commander of the 82nd brigade, leaked in 1989, said: "Systems reliability is killing us... If we went to war tomorrow, I'd have to recommend taking all of our AH-1s [previous generation Cobra attack helicopters] before we outloaded one AH-64."

A second concern about the helicopter is its apparent fragility, raising questions about the aircraft's vulnerability to ground fire.

Although the allied air forces have suppressed most of the larger radar operated surface-to-air missile systems in Iraq and Kuwait, the Apaches will still come under sustained attack from shoulder-launched SA-7 and SA-14 missiles, as well as small arms fire.

Moreover, if the Apaches are used against dug-in infantry and armour, rather than tanks manoeuvring in open country, they could prove vulnerable to fire.

Before the conflict, a group of US officials from the general accounting office visited Saudi Arabia to see how the aircraft was performing. The real test of the Apache's performance is only now taking place.

The Financial Times (Europe) Ltd
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

THE GULF WAR

Oil prices tumble on peace plan uncertainty

By Deborah Hargreaves

OIL PRICES tumbled yesterday as the market tried to determine the chances for peace in the Gulf.

North Sea Brent crude for April delivery fell by almost a dollar to $16.85 a barrel after rebounding overnight from Monday's losses.

In New York, prices were stronger after President George Bush said the Soviet peace plan did not go far enough, but oil futures prices on the New York Mercantile Exchange later drifted lower. By mid-session, the April price had dropped to $18.60 a barrel.

Speaking of the proposed peace plan at a gathering of the Institute of Petroleum in London, Sheikh Ali Khalifa al-Sabah, Kuwait's finance minister, said it would be the "worst of all worlds" for the Iraqi people if Kuwait were liberated by peaceful negotiation. That would leave President Saddam Hussein in power with a bankrupt economy, he said.

Sheikh Ali said the first hint of Iraq's intention to invade Kuwait came at last July's meeting of the Organisation of Petroleum Exporting Countries (Opec) when the Iraqi delegation had tried to force everyone to adopt their point of view – the Iraqis were pressing for higher oil prices.

"I can tell you how much the other delegations resented it," he said.

Oil prices have now fallen to their lowest point since Iraq's invasion of Kuwait and the market could go lower in the next few days.

"We're seeing the erosion of this apocryphal war premium and we're in a war discount market, but no-one knows what the real price of crude is," says Mr Peter Gignoux, director of Lehman Brothers international energy division in London.

The current premium afforded by the US market over UK prices reflects increasing exports of North Sea oil to the US as American companies start to rebuild their low stocks.

● Saudi Arabia is to give Pakistan $100m of oil to help replace supplies cut off from Kuwait, officials said yesterday. Farhan Bokhari writes from Islamabad.

The package will cover *50,000 barrels of Arab light* crude oil daily until March. This is roughly 20 per cent of Pakistan's consumption of crude oil and refined petroleum products.

The offer is the first big relief package from the Saudis to support Pakistan's economy. Officials estimate that the crisis has cost Pakistan $1.2bn in higher oil prices, losses in overseas remittances, and reduced exports to the Middle East.

'...the young soldier pressed the revolver against the temple of the small boy, looked away and pulled the trigger'

Kuwaitis tell of 7,000 dead and Iraqi atrocities

By Jimmy Burns

DETAILED accounts of human rights violations by Iraqi troops in Kuwait emerged yesterday during a special session of Britain's all-party parliamentary human rights group.

The Iraqis have refused to allow international humanitarian organisations, such as the International Red Cross, to visit Kuwaiti detainees or to obtain information about their numbers and condition. Journalists are banned from entering the country.

However, according to Kuwaiti exiles the accounts given by three western businessmen trapped in Kuwait after the invasion and by a Kuwaiti doctor give a picture of human devastation.

Their testimony, combined with Amnesty International reports, has fuelled calls from backbench MPs for a Nuremberg-style trial of those responsible once the Gulf war is over.

Ms Da'ad Abdullah of the London-based Association for Free Kuwait said 7,000 Kuwaitis had been killed and 17,000 detained since the invasion, although the death toll could be much higher.

Mr Anthony Coombs, Tory MP and secretary of the group, said: "No peace can call itself just or civilised unless the people who perpetrated these crimes and their superiors who oversaw them are bought to justice."

The following are extracts from the testimonies:

■ "On November 2 1990 near Al-Jahra Hospital, I noticed five Iraqi soldiers. They had rounded up six Kuwaiti boys, five of them around the age of 15 or 16. One was eight or nine years old and carrying a football.

"The soldiers were beating the boys with an aerial across the face, head and legs... after a few minutes we heard the sound of gunfire and rushing to the window we saw the five bigger boys lying on the ground.

"The younger boy was now crouched down by the wall, crying... the young soldier backed away whilst the officer forced the revolver in his hand... the young soldier then pressed the revolver against the temple of the small boy and whilst looking away, he pulled the trigger blowing away part of the crown on his head."

■ "On the afternoon of Saturday August 4 1990 five or six Iraqi soldiers broke into the apartment and ordered the woman who was seven months pregnant to go to the bedroom.

"The husband tried to intervene and was badly beaten up. One of the soldiers put a gun to the head of the couple's four-year-old son to force the mother to comply with their wishes."

■ "On Thursday, September 13 1990 ten Iraqi soldiers came to my apartment and stripped it of equipment and personal belongings. I was ordered to pack a case and accompany them to the 'Institute of Private Education' building in Salmiya, where I was taken into the elevator.

"When we stopped on the third floor I witnessed the following incident: four Kuwaiti men had their legs tied and raised above the floor with ropes which were attached to rings on a beam suspended from the ceiling. Their hands were also tied behind their backs. Two men were beating them with a type of cane on the soles of their feet."

■ "The Iraqis have introduced a form of religious persecution into Kuwait. It is normal practice in Iraq for the mullahs to preach in favour of Saddam and his regime during Friday prayers. No such practice was known in Kuwait where the mullahs were always politically neutral... the Iraqis attempted to make many of the mullahs in Kuwait preach in favour of the regime. The mullahs who resisted paid dearly."

■ "My brother... was held in a small cell along with 30 other men. Their ages ranged from about 13 to mid-50s. They were given no food, had no medical attention and there was no sanitation.

"Every day they would call out several names of people and take them to an upstairs room they called the disco. Screams could be heard throughout the rest of the day. When these people returned they would be maimed, burnt, bleeding and often dying."

■ "Opposite the building I lived in there was an Arabic intermediate school. Every morning the children would be carrying piles of paper and books to an area of vacant land where these books and papers were piled and burned... the Iraqi authorities had instructed the students to remove all books and sections of books that gave any reference to the Kuwaiti royal family."

Iraq 'wants ceasefire before withdrawal'

By David Goodhart in Bonn

IRAQ is prepared to withdraw unconditionally from Kuwait but needs a ceasefire to do so, according to Mr Ali Akbar Velayati, Iran's foreign minister.

Mr Velayati said in Bonn yesterday that after two rounds of talks with Mr Tariq Aziz, Iraq's foreign minister, the latest two days ago, he was convinced Iraq would withdraw without conditions.

He added that other issues raised in last week's statement, such as Israel's withdrawal from the West Bank, were not conditions for a pullout.

Mr Velayati proposed a 48-hour ceasefire to enable Iraq to prove its willingness to withdraw. The minister said that US assurances that Iraqi forces would be given free passage if there was clear evidence of a pullout were not sufficient.

He envisages the following "action plan" towards the end of the war: Iraq formally accepts the UN resolution on *withdrawal from Kuwait and* the US announces a 48-hour ceasefire and then a timetable for full US withdrawal.

A precondition for the longer-term resolution of conflict in the Gulf region was a full *withdrawal of all foreign* troops.

"We believe that all efforts should be directed towards finding a political solution. In my discussions with the foreign minister of Iraq I found *that Iraq is prepeared for such* a solution.

"It is important that the other side also manifest the commitment to a political solution rather than a military one which would be the start of more tension in our region," he said.

Nato members pressed to restrict sales of arms

David White looks at proposals for western nations to sell arms to each other instead of the Third World

THE war in the Gulf may give fresh impetus to work under way at Nato on a new arms trade regime including tighter policies on western sales to the Third World.

That, at least, is the hope of the person most identified with the initiative, Mr William Taft, Washington's permanent representative at Nato and former US deputy defence secretary.

Proposals made by Mr Taft last March have led to preliminary studies on ways of simultaneously lowering barriers on arms trade between Nato members and raising the barriers on what and where they export. Up to now the main arms-producing nations have done the bulk of their international defence trade not with each other, but with developing countries.

Diplomats at Nato headquarters in Brussels emphasise that the issue of Third World arms supplies is only one dimension of the discussions, But it is clearly an aspect the US is anxious to push.

Mr Taft initially labelled his proposal the "Defence Gatt."

William Taft: plan for a "Nato Gatt"

Developed nations should agree to limit arms sales to "dangerous" countries, a Soviet spokesman said on Monday night, Reuter reports from London. Mr Sergei Grigoryev, President Mikhail Gorbachev's deputy spokesman, said in a BBC radio interview: "I think there should be mutual obligations of all the members of the anti-Iraqi coalition to stop supplying dangerous members of the international community with any weapons they can use against peaceful civilians." The Soviet Union, Germany, the US and Italy had all sold weapons to Iraq, he said.

He now admits that the linkage with the General Agreement on Tariffs and Trade might prove "a little maladroit." When Gatt ministerial talks collapsed in Brussels in December, one of Mr Taft's colleagues remarked: "He might as well have called it the Defence Titanic."

His original idea was to include Japan, South Korea and Australia in the plan, as non-Nato allies of the US. Some Nato partners baulked at what they saw as an arbitrary selection of participants. "I was talked out of it," says Mr Taft. The proposal has now been reduced to a "Nato Gatt", although the US continues to favour the association of other significant manufacturing countries.

Backers of the initiative deny that it will cut across whatever moves are made by the European Community to bring defence procurement into its field of competence. But both the US and the UK are anxious to ensure that steps towards a common market in arms are not limited to Europe.

The plan has attracted little notice outside Nato's corridors, in a period when the alliance been involved in the larger task of overhauling its political objectives and military strategies.

However, the initiative was pursued last summer by Mr Philip Merrill, Nato's assistant secretary-general for defence support and the senior US appointee in the alliance bureaucracy. A task force to look into the merits of the idea was set up in October.

Representatives of Nato national armaments directors are due in April to discuss the task force's first-stage report covering the expected benefits and costs of the proposals.

The project is based on the premise that no country, not even the US, can afford to develop and produce advanced weapons just for the home market. "Markets are going to be by historical standards extremely small, and we have seen Third World markets drying up," Mr Taft says.

For the main arms-producing countries, the price of refusing to open up their home markets to imports is high, he warns. "We get more expensive weapons that are probably less capable than we should have."

At the same time, Nato countries cannot afford to export indiscriminately the same equipment that they buy themselves. "You have got to have two tiers," Mr Taft argues. "We need to be very careful about what we sell to whom."

Nato members should agree to "sell amongst ourselves at the highest level" – which would mean relaxing US controls on technology transfers – and to restrict what they export elsewhere.

Mr Taft concedes, however, that it is "not an easy project." It has met mixed reactions from other allies. The British, at the most enthusiastic end of the spectrum, see it as an extension of their campaign for a more open European market through the Independent European Programme Group. Other supporters include the Germans, the Dutch and, more ambiguously, the French. At the other extreme, Portugal, Turkey, Greece and especially Spain are worried about what would happen to their own, vulnerable defence industries. And Belgium, Nato's host country, has not been participating in the studies.

An even greater hurdle may be the strong protectionist lobby within the US Congress.

"What needs to be grasped," Mr Taft says, "is that access to the European market is worth the price of opening up our own."

In his original proposals for removing restrictive procurement practices among America's allies, the call for collective policies on arms exports to third countries was something of an afterthought.

However, he now sees a new set of Nato trading rules as a means of supplementing CoCom, the organisation through which western countries have vetted sales of militarily-useful products and technologies to members of the Warsaw Pact. The issue of sales to other destinations is expected to be broached at a high-level CoCom meeting in Paris later this month.

Some experts believe the Taft initiative could in the longer term lead to a replacement for the CoCom system, with a shorter list of sensitive items but with stricter controls and wider application. But even the most optimistic say it will take time, and still depends on Nato's ability to agree on the first steps for reforming the arms market.

TRADE IN CONVENTIONAL WEAPONS ($bn)

The sellers		The buyers	
1 Soviet Union	66.21	India	17.35
2 US	52.86	Iraq	11.99
3 France	15.80	Japan	10.55
4 UK	7.71	Saudi Arabia	8.76
5 China	6.86	Syria	5.88
6 Germany	5.02	Egypt	5.80
7 Czechoslovakia	2.66	Czechoslovakia	5.28
8 Italy	2.08	North Korea	5.28
9 Sweden	1.88	Spain	5.15
10 Netherlands	1.76	Turkey	4.75
11 Brazil	1.38	Poland	4.65
12 Israel	1.18	Afghanistan	4.61
13 Spain	1.11	Angola	3.72
14 Canada	1.10	Canada	3.41
15 Egypt	0.77	Libya	3.91

Sources: Stockholm International Peace Research Institute and SIPRI data base

Roh apologises and purges party over bribe scandal

By John Ridding in Seoul

MR Roh Tae Woo, South Korea's president, yesterday apologised for a large bribery scandal and reshuffled the ruling party in an attempt to limit political damage from the affair.

The scandal, in which a conglomerate allegedly paid more than $1m (£500,000) in bribes to politicians to secure permission for a housing project, is the most serious to have emerged during President Roh's administration.

It has prompted the arrest of a presidential aide, ruling and opposition party members of the national assembly, and has further undermined support for the government. On Monday, the top economics minister, the construction minister and the mayor of Seoul were replaced in a cabinet reshuffle prompted by the scandal.

"I am deeply sorry to you for the incident," Mr Roh told the nation on a live television broadcast. "The involvement of a presidential secretary was no other than the result of my negligence, for which I offer my apologies."

The South Korean president called for both ruling and opposition parties to reform fund raising and eradicate corruption. "I ask that the ruling and opposition camps begin talks immediately for a revolutionary rebirth of political tradition," he said.

A few hours before the broadcast, Mr Roh announced a reshuffle of the leadership of the ruling Democratic Liberal Party (DLP). Mr Kim Young Whan, floor leader of the party, replaces Mr Chung Soon Duk as secretary-general of the DLP. Several other senior party officials were also replaced.

A report on the 10-day investigation into the scandal by the Seoul District Prosecutor's Office, which was published on Monday, said that eight people, including three members of parliament from the DLP and two from the main opposition Party for Peace and Democracy (PPD, accepted a total of $1.3m in bribes from the Hanbo Group, a construction company, to help it gain a lucrative housing project in Seoul.

But the office said it had found no evidence to support opposition claims that cabinet ministers and senior aides to Mr Roh were involved in the case.

Philippines austerity awaits IMF seal of approval

Greg Hutchinson reports that in spite of higher spending in 1990, Manila is on the right road

THE board of the International Monetary Fund is expected to approve today an 18-month stand-by arrangement of SDR264.2m (£193m), a quarter of which will go towards reducing the country's foreign debt of $28.4bn (£14.3bn).

While the sum may seem relatively negligible, the significance of the agreement is the signal that it will send to creditors that the IMF has given the Philippines economic austerity programme its seal of approval. The approval is expected in spite of Manila's failure to gain a firm commitment from commercial creditors to provide new money.

This was the IMF's original demand, subsequently diluted because of the fund's growing flexibility towards the Manila government and the willingness of some commercial banks to enter into co-financing arrangements for the Philippines with international lending agencies.

Negotiations on the US military bases are behind the new flexibility, along with a realisation of how serious the country's foreign exchange crisis was in December and January.

The new IMF programme prematurely replaces a growth-oriented plan that came unstuck last summer.

Over and above the SDR264.2m, the government is also asking for a easy-term loan under the IMF's compensatory and contingency financing facility "on account of an export shortfall and an excess in oil import costs of an amount equivalent to SDR277.1m."

After last year's severe earthquake, typhoon and the pre-war Gulf crisis, the government also asks the IMF to decide that it will provide the contingency maximum of SDR88.1m in the event of "adverse external contingencies occurring".

The programme, which intends to reduce significantly the country's fiscal deficit, inflation and the current account shortfalls, sets out six quarterly performance criteria: a public sector borrowing ceiling; a ceiling on base money; a floor on monetary authority net international reserves; limits on non-concessionary borrowing in the 1-12 year and 1-5 year ranges; a ceiling on total shorter external debt outstanding; and a ceiling on the outstanding balance of the oil price stabilisation fund.

Oil comes in for close scrutiny. As a result of the Gulf crisis the government owes oil companies $320m. Even if world oil prices fall substantially, the Philippines is not likely to lower pump prices, having raised them belatedly last year by 60 per cent from a low base.

The 9 per cent levy on imports which the government imposed last month to boost revenues will be phased out as Congress passes new tax laws. The Government has again suggested an affluent consumption tax, a measure earlier baulked at by Congress.

The Government and IMF acknowledge the levy will spur inflation and delay one of the main planks of economic reform – cutting and restructuring tariffs to help make industry more competitive. The negative consequences are regarded as an incentive for Congress to pass added unpopular tax laws.

Inflation, at around 16 per cent, is targeted to fall to 9.5 per cent by year-end and to 7 per cent by the end of 1992.

With inflationary pressures very strong, monetary policy is being put on a tight course. Monetary officials consider it a key tool should fiscal discipline waver as the Philippines approaches a general election in May 1992.

As a senior official put it: "We have to put on the brakes before we run out of foreign exchange and inflation goes to the 20s and 30s and then you're on the Latin American road."

The programme forecasts that gross national product growth will remain slow in 1991 – around 2 per cent or less – before beginning to recover in 1992.

The external current account deficit is to be reduced from 5.7 per cent of GNP at the end of 1990 to 4.5 per cent of GNP in 1991 and 4 per cent of GNP in 1992.

Reducing the consolidated public sector deficit from 5.2 per cent of GNP at the end of 1990 to 3.7 per cent of GNP in 1991 and 2.5 per cent of GNP in 1992 is said to be the centrepiece of the programme.

The deterioration in 1990 reflected higher spending as a result of external shocks such as the Gulf crisis; delays in the implementation of revenue measures; shortfalls in the receipts of foreign grants and asset sales; higher interest rates; and some spending overruns.

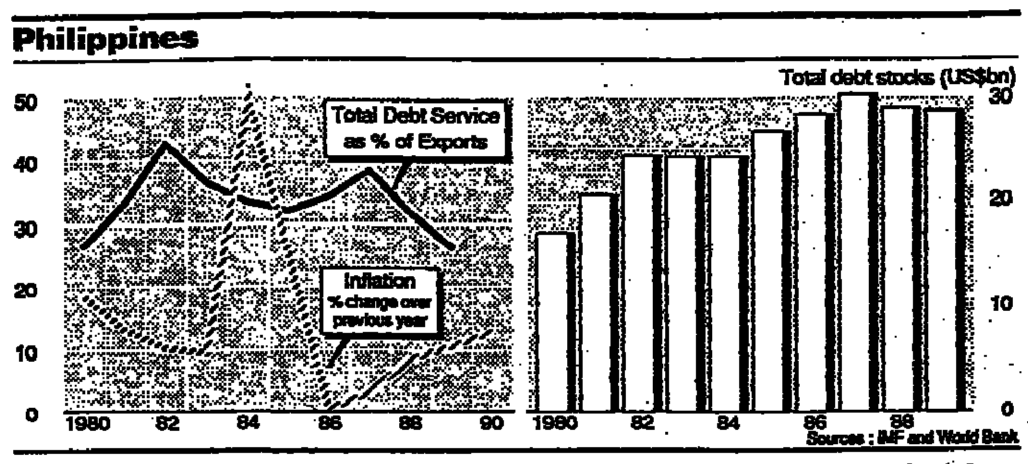
The consolidated deficit will be tackled through the levy, wealth taxes and similar measures that Congress may consider, better tax collection, expenditure reduction and tightening of expenditure control.

Cash expenditure by the Government is to be limited to pesos 257.4bn, requiring total net cuts in appropriations of at least pesos 23bn (about 2 per cent of GNP) from the originally proposed budget.

Furthermore, the programme says "the budget agreement between the Government and Congress also stipulates that any subsequent increases in appropriations will be offset by revenue increasing measures or additional expenditure cuts." It adds: "This applies also to revenue reducing measures beyond those incorporated in the programme."

The programme calculates that despite current commitments from multilateral and bilateral sources and assuming early disbursement of the remaining $115m of the 1990 new money from commercial banks, the projected external financing gap will be $900m in 1991 and $1.3bn in 1992.

The Government expects some relief when donor countries and agencies meet in Hong Kong on February 25 to 26 for a development assistance pledging session.



Japanese shipbuilders suffer slump in orders

JAPANESE shipbuilders contracted to export only five vessels with a combined gross tonnage of 104,800 tonnes in January, representing a decrease of 50.7 per cent in tonnage from 212,400 tonnes in the same month a year earlier, the Japan Ship Exporters' Association reported yesterday, AP-DJ reports from Tokyo.

Continuing a recent downturn, overseas orders in January to Japanese shipyards were at their lowest level so far this fiscal year, based on gross tonnage, an official of the association said.

The official said the Gulf war had forced shipowners to adopt a wait-and-see attitude.

January contracts were composed of orders for three bulk carriers, one car carrier, and one LNG (liquefied natural gas) vessel.

However, an association spokesman said he expects ship export contracts to revive immediately after the end of the war.

He pointed to the decline in oil prices following the beginning of war in the Gulf, saying the lower prices should ensure a rush of orders.

With expectations for relatively stable oil prices over the coming months, barring severe damage to Saudi oil facilities, the negative economic impact from the war should not dampen expected large demand for the very large crude carriers (VLCCs) needed to replace ageing tanker fleets, he said.

Pakistan trade union clampdown

POLICE in Pakistan cracked down yesterday on union activists spearheading a campaign against government plans to sell off state-owned enterprises, Reuter reports from Karachi.

A police spokesman said that they arrested seven bank union leaders on Monday night for defying a ban on assemblies of more than four people in Karachi and threatening non-striking bank officials.

The police action followed a national 24-hour strike on Sunday by bank unions to protest at the government plans. The unions fear job losses from privatisation and intend to widen their action to more than 50 state enterprises.

China snipes at Dalai Lama

The British prime minister, Mr John Major, has refused to meet Tibet's exiled spiritual leader, the Dalai Lama, China said yesterday, in a report signalling its satisfaction with London's decision.

A British diplomat in Peking noted, however, that while the Dalai Lama was not scheduled to meet Mr Major, he would none the less have his highest ever contacts with the British government.

Eritrea peace talks hold-up

Peace talks between Ethiopia and Eritrean rebels, scheduled to begin in Washington yesterday, were postponed until tomorrow at the request of the Eritreans, a US official said, Reuter reports from Washington. The official said the postponement did not mean there was a political problem, but that the Eritreans wanted more time.

Nepal's King Birendra and Queen Aiswarya during a ceremony yesterday marking Democracy Day. The king, who lost his absolute powers last year, appealed for parties to respect democratic rules in Nepal's first free elections in 30 years scheduled for May 12

Niger first to benefit from new debt fund

By George Graham in Paris

THE World Bank is to help Niger to buy back all of its outstanding commercial bank debt in the first use of a new fund to help countries which are too poor to be able to adopt the so-called "Brady terms" for debt rescheduling.

Niger will buy in its remaining $108m (£54.5m) of commercial debts at 18 per cent of their face value, thanks to a $10m dollar gift from a special facility of the International Development Association (IDA), and additional funding from France and Switzerland.

Banks will have the option between receiving immediate payment at 18 per cent of the value of their debt, or payment at 100 per cent in 21 years time, guaranteed by US government zero coupon bonds.

Mozambique, with some $280m of commercial debt, is also involved in discussions.

Niger, however, has already managed to complete negotiations with bank creditors.

The buy-back will mean that Niger's only outstanding foreign debts will be owed to governments and multilateral organisations.

Many of these debts have already been entirely written off under the "Toronto terms" applied to the world's poorest nations in debt rescheduling negotiations with the Paris Club, which groups official creditors; the remainder mostly carry concessional rates of interest.

Niger last September reached agreement with the Paris Club on rescheduling $116m of official debt under the Toronto terms.

The IDA debt reduction facility is funded by $100m drawn from the profits of the International Bank for Reconstruction and Development (IBRD).

Each country qualifying for the facility may receive up to $10m, one of the rare windows through which the World Bank makes gifts rather than loans. A total of 15 countries have applied for use of the debt reduction facility, with around $2bn of commercial debt between them.

■ The World Bank has pledged $104m to support Indonesia's family planning programme, an official yesterday, AP reports from Jakarta. The pledge was based on the country's achievements in health. The latest census showed a decrease in the infant mortality rate from 140 in 1,000 births in 1971 to 66 in 1985.

South Africa encouraged by Pöhl

SOUTH AFRICA'S trade with Germany would show a marked increase if the European Community lifted sanctions imposed to protest against the country's apartheid policies, the president of the Bundesbank, Mr Karl Otto Pöhl, said yesterday, AP reports from Pretoria.

In a speech to the South African Reserve Bank, Mr Pöhl said that trade between South Africa and Germany had been halved from 1975 to 1990 due to the sanctions.

He said South Africa also would benefit from new export markets in east European countries that have dropped orthodox socialism for more western-style political and economic systems.

"With the prospect of peaceful and equitable solutions to the internal conflict in South Africa, one would expect your highly developed economy to play a crucial part in Africa's revitalisation," Mr Pöhl said.

The Community sanctions include bans on imports of iron, steel and gold coins.

EC leaders previously lifted a voluntary ban on new investment in South Africa.

President F.W. de Klerk has proposed repeal of remaining apartheid laws and called for negotiations among all parties on a new constitution to end white minority rule.

Zambia rediscovers tobacco road

Kaunda's policy mistakes have cost millions, Mike Hall writes

A FORMER minister who went to see President Kenneth Kaunda recently took with him a computer print-out of statistics relating to a tobacco scheme in eastern Zambia.

It showed that a peasant farmer, growing just three hectares, could earn nearly Kwacha 250,000 (£2,525) in one year – twice the official presidential salary and 15 times the average income.

Agriculture has long been acknowledged as the key to Zambia's economic recovery. Only recently have attempts been made to boost production of tobacco, the crop that holds out most hope of handsome foreign earnings.

If Mr Kaunda had encouraged Zambian farmers to grow tobacco since the time of independence, he might have avoided – or at least delayed – the widespread opposition that now threatens to end his 26-year rule.

Popular discontent has arisen from the precipitous economic decline in the last 15 years. The government blames external factors. But Zambia's crisis is due, in large measure, to the government's failure to enable a more diverse export base.

Zimbabwe and Malawi, Zambia's colonial partners, earn well over $400m a year from tobacco exports alone. Yet Zambia – which has more land, better soil and rainfall and less population pressure – earns less than $20m from all its farm exports.

Zimbabwe produces 140m kilos of tobacco a year; Malawi just over 100m kilos. Zambia was a bigger producer than Malawi at independence in 1964, yet now grows just 4.3m kilos – even though its tobacco is among the best in the world.

Zimbabwe's commitment to the compulsory purchase of white-owned farm land could send many of its tobacco farmers across the Zambezi River the Zambia

The bulk of the crop is now produced by a handful of die-hard tobacco farmers and a few large companies.

Had proper policies been established, Zambia could easily have outdone Malawi. It could now be earning about $200m a year – equivalent to a lot of school books, medicines, better roads and other things that might have kept Zambians happier with their lot.

Shortly after Mr Kaunda took power, land reforms saw an exodus of skilled white farmers. And with the declaration of independence by the then Rhodesia in 1965, links with the huge auction floors and factories there were broken. But the government's response made things worse. Along with most other sectors of the economy, the state intervened in tobacco farming.

The Tobacco Board of Zambia initially had some success in introducing the crop to new areas. But its schemes, most of which included resettlement, failed because they were not managed commercially. In the words of one observer, they were a series of "bizarre social experiments". The government then set up another parastatal – the National Tobacco Company (Natco). It, too, failed efficiently to run the schemes it inherited.

Zambia's commitment to ending white-rule in the region cost the country dearly. White farmers who wanted to escape the war in Rhodesia and invest in Zambia were turned away. "The politicians were too idealistic," says one farmer. "All Rhodesians were spies. It was a very short-sighted policy."

Malawi exploited the liberation war. Rhodesian farmers were employed as estate managers. While international sanctions – from which Zimbabwe's industry has only recently recovered – bit hard into Rhodesian production, Malawi made its mark as a world producer.

In Zambia, marketing has been, and still is, the main problem. Natco's insistence on processing the crop through its outdated factory, negotiating prices with more adept multinational buyers, and policy of "taxing" farmers by subsidising local consumption, has left it with little credibility.

Only recently has Natco begun to co-operate more closely with growers. Growers now have a hand in negotiations. And, as an incentive, they can retain up to half the foreign currency they earn and sell it at higher than the official exchange rate.

"Much more needs to be done to build confidence," says Michael Galaun, chairman of the Tobacco Association of Zambia, a growers body.

There are encouraging signs that tobacco is beginning to receive the attention it deserves. Several commercially run schemes are set to increase production, confident that the crop is valued internationally.

And, ironically, the tobacco industry in Zambia could benefit from the Zimbabwean government's espoused commitment to the compulsory purchase of white-owned farm land: tobacco farmers are already thinking about moving north across the Zambezi.

Rising tide of crime in Soviet Union

By John Lloyd in Moscow

CRIME is soaring in the Soviet Union, but punishment is proving increasingly difficult to administer, Mr Boris Pugo, the interior minister, said yesterday. There were 2.8m reported crimes last year, a 13 per cent rise over the previous year. This was the biggest increase since the war, and was marked by "the aggressiveness of armed elements".

"A large part of the population is armed," he said, adding that only 30,000 guns had been surrendered under a recent amnesty. The number of criminal gangs known to the police had risen from 3,500 to 5,000. Furthermore, Soviet citizens were increasingly reluctant to testify, with the result that half the cases brought failed.

Crimes committed on public transport have increased most, 28 per cent. Drug offences were up 24 per cent, thefts from state and other properties 18 per cent, and serious crimes, including murder, rape and grievous bodily harm, up 15 per cent.

The figures suggest that the rising tide of crime has been worst in several of the republics seeking independence from Moscow: Armenia by far the highest with 44 per cent; Estonia 24 per cent; Lithuania 19 per cent; Latvia 17 per cent.

Mr Pugo, himself a Latvian, made a particular point of criticising the Baltic states for separating their own militias from Soviet Interior Ministry forces. He called for more powers to be centralised in his ministry.

It was troops under his command, the so-called black beret detachments, which were responsible for the deaths of 16 protesters in Lithuania last month. He said those events, and further deaths in Latvia, were still being investigated but that inquiries were hampered by lack of information from the republics.

Mr Pugo said economic crime was on the increase, though by a relatively modest 3.1 per cent. Interior Ministry forces were unused to dealing with the sophistication of the corruption which attempts at adopting the market system had unleashed, he claimed.

However, he repeated assurances given earlier by the KGB – which has been licensed directed to investigate the affairs of Soviet and foreign companies – that "honest enterprises have nothing to fear".

He defended street patrols by joint militia and army units, saying that he had "stacks of telegrams" calling for the measure. Some 14,000 soldiers were taking part in 484 cities.

Soviet deputies are being urged to halt the televising of parliamentary debates on the grounds that they cause furious family quarrels, Reuter reports from Moscow.

A long-suffering viewer from the northern Russian textile city of Ivanovo complained in a letter distributed in parliament yesterday that the lengthy broadcasts brought him into dispute with his wife.

"My wife defends democrats, I defend conservatives and after some programmes on the radio or television we quarrel to the point of insulting one another," said the writer. "The country has turned into a madhouse and a cuckoo's nest."

Hurd seeks to keep defence out of Rome Treaty

By David Buchan in Luxembourg

BRITAIN IS intending to propose amendments to the Rome Treaty soon to encourage EC member states to formulate common foreign and security (though not defence) policies, Mr Douglas Hurd, the UK foreign secretary, said here last night.

Security, covering such areas as arms control and exports, confidence-building measures and participation in UN peace-keeping forces, could be separated, he argued, from defence proper which had to do with command and control and deployment of military forces.

Mr Hurd accepted, however, "the need to build a defence dimension into the process of European construction", and believed that the Western European Union (WEU) should be developed as Europe's defence arm.

Delivering the Churchill Memorial lecture, he thus aligned Britain decisively with the majority of EC states, including Germany, France, Italy and Spain, which want to exploit their dual membership of the WEU and the EC to bring the two closer together.

One key difference with Britain's larger EC partners, however, remains its unwillingness to concede the Community eventually absorbing the WEU entirely. That prospect would face EC states like neutral Ireland and pacifist-minded Denmark, which do not want to join the WEU, with a serious dilemma.

Mr Hurd also warned against the Twelve trying to settle common foreign and security policies by majority vote. "Imposed unity would be artificial," he said.

The WEU, currently comprising a secretary-general and governing council in London and a parliamentary assembly in Paris, now looks highly likely to shift to Brussels, a move of useful ambiguity because it hosts both Nato and EC headquarters.

The nine-nation WEU should become a bridge between Nato and the Community, said Mr Hurd, echoing similar Franco-German language. "Defence guarantees – and the collective military resources to back them up – would remain in Nato and the WEU," he said.

UK officials suggest that Nato ambassadors and military advisers could have a double appointment to a Brussels-based WEU, and that the WEU develop some sort of military structure, within Nato but "capable of separate action", just as European naval forces in the Gulf have been co-ordinated through the WEU.

To secure the Community end of the WEU bridge, Mr Hurd said "links between the WEU and a European union could be strengthened at all levels, from secretariats to heads of government".

In designing a common foreign and security policy, the EC needed to "get the transatlantic relationship right".

"We have in the past leaned more heavily on the US than is going to be realistic in the future," Mr Hurd said. But European defence structure had to, and through the WEU, could be built up in a way that did not alienate the US.

Albanian Communists renew appeal to hunger strikers

ALBANIA's ruling Communist party renewed appeals to hundreds of students on hunger strike yesterday to give up their protest.

More than 500 students and teachers began a hunger strike on Monday to demand that the name of the late Stalinist leader Enver Hoxha be dropped from the official name of the Enver Hoxha University of Tirana.

"The Central Committee of the People's Party of Labour (Communist party) appeals to the students to give up the unjust political demands and the unjust way of solving them," said a statement carried by the official ATA news agency.

Most of Albania's 10,000 students have boycotted classes in the past 12 days, demanding political and economic reforms and better living conditions.

Top of the list of demands is the removal of the name of Hoxha, who kept Albania in isolation from the outside world for four decades.

Bowing to those protests, Hoxha's successor, President Ramiz Alia, legalised opposition parties and promised more reforms but has taken a stern line with the striking students and has called their protests undemocratic.

"Democracy, too, has got its rules and limits," the statement said.

"There always exists the danger of its abuse, something which leads to anarchy and turmoil, especially in the first stages of the political and ideological multi-party system."

Fiat to cut 3,000 jobs from two Iveco lorry factories

By Haig Simonian in Milan

IVECO, the trucks subsidiary of the Fiat automotive and industrial group, is planning to axe almost 3,000 of its 38,000 workers as a result of the fall in European demand.

In detailed proposals to be put to its unions on Friday, the company will call for redundancies and early retirement at its Turin and Milan plants.

The redundancy plans, which signal growing moves to shed labour at a number of big Italian industrial groups, still require government approval for the payment of special unemployment benefits.

Iveco has forecast that truck sales in Europe will decline to 465,000 units this year from 495,000 in 1990 and 515,000 in 1989.

The company itself, which had turnover of L7,650bn ($6.99m) last year, expects to sell 94,000 lorries this year, compared with 101,500 in 1990 and 103,000 in 1989. The figures exclude production at Enasa, the Spanish company Iveco bought last year.

● Mr Enzo Mattina, an Italian member of the European Parliament, has asked the European Commission to investigate the takeover battle between Pirelli and Continental, the Italian and German tyre groups, on the grounds of possible protectionism on the German side.

The move follows steps last week by members of Italy's Communist party to press for government intervention in the bid.

Advisers urge wage controls for Poland

Advisers to President Lech Walesa have urged changes in Polish public sector wage controls at a time when the government faces mounting pressure from the unions to ease the pay restrictions, writes Christopher Bobinski in Warsaw.

The economists' advice from monetarist economists in the President's group comes as the Government is in the middle of talks with both Solidarity and the left wing OPZZ unions.

The economists' advice makes the government's position additionally awkward because Mr Leszek Balcerowicz, the deputy premier, views the pay controls as a central plank of his policies and has threatened to resign if concessions are made.

Ireland's trade surplus shrinks

The Irish trade surplus dropped by I£450m (£413m) to I£1.86bn (£1.7bn) last year. Exports fell 1.8 per cent to I£14.33bn while imports rose 1.5 per cent to I£12.47bn, writes Kieran Cooke in Dublin.

The fall in exports follows three years of strong growth and shows the effects of the recession in many western economies, particularly in Britain, the destination for more than 30 per cent of Ireland's exports.

Mr Terry Leyden, Minister of State for Trade and Marketing, was confident exports would resume their growth this year to top I£15bn.

But declining sales of agricultural products, plus falling demand for exports from Ireland's foreign-dominated electronics sector, leave the outlook uncertain.

Ruiz Mateos loses immunity

Spain will be able to try Mr Jose-Maria Ruiz Mateos, a businessman and member of the European Parliament, on charges of fraud and other offences, following a decision by the parliament to lift his parliamentary immunity, Reuter reports from Strasbourg.

The parliament, acting on a request from the Spanish Supreme Court, voted late on Monday to waive the rules which normally protect its members from legal proceedings.

Mr Ruiz Mateos, elected to the parliament in 1989, owned Spain's biggest business empire, Rumasa, until it was expropriated by the Socialist government in 1982.

A parliamentary report which recommended lifting his immunity noted that he faced charges of fraud, monetary offences and unjustified appropriations connected with Rumasa.

Industrial output falls in Yugoslavia

Yugoslav industrial production fell 18.2 per cent in January compared with the same period last year, the federal government said yesterday, writes Laura Silber in Belgrade.

The drop from December was 10.6 per cent in relation to December 1990, the federal government said yesterday.

French HDTV on course

France yesterday brushed aside criticism of its high-definition television (HDTV) policy and said it was on course to carve out a share of the potentially huge market in cinema-quality television, Reuter reports from Paris.

"Our country has today all the cards and ingredients to succeed...I am sorry for the chroniclers of catastrophes, but the system works," Mr Paul Quiles, the minister of posts and telecommunications, told a news conference.

EC readies itself to resume aid programme to Soviet Union

By David Buchan in Luxembourg

THE European Community yesterday readied itself to resume its wide-ranging aid programme to the Soviet Union, which was interrupted over Moscow's strongarm tactics against unrest in the Baltic republics last month.

After hearing from their Luxembourg, Dutch and Italian colleagues about their meetings last weekend with the Soviet leadership, EC foreign ministers decided to ask the European Commission to start work again on providing Ecu500m ($705m) credits to buy food and Ecu400m of technical assistance to Soviet industry and services.

However, ministers said that the final decision to resume the aid programme – which will also require the budgetary approval of the European Parliament – would not be taken until they next meet, on March 4.

This will allow many EC foreign ministers first to see Mr Alexander Bessmertnykh, their Soviet counterpart, in Madrid on Thursday at a meeting of the Council of Europe.

Mr Hans-Dietrich Genscher, the German foreign minister, led the camp favouring early resumption of the aid programme, saying that President Gorbachev deserved "confidence and trust" in the basic tenets of his foreign policy, which had led to the democratisation of eastern Europe, the reunification of Germany and the unparalled east-west unity in the world reaction to Iraq's occupation of Kuwait last August.

France, Italy and Spain also urged quick support for Moscow. But other countries, notably Denmark and the UK, said that there was no need to rush an aid programme which the Soviet Union would have difficulty in absorbing anyway.

Members of a bomb squad in full protective clothing approach a suspicious vehicle in the centre of Amsterdam

EC calls for Community-wide approach to safety on roads

By David Gardner in Brussels

THE European Commission yesterday attempted to jolt member states into treating road safety as an EC-wide issue, in order to reduce what it described as a "wartime" level of casualties.

Mr Karel Van Miert, EC transport commissioner, presented a long report commissioned from a group of transport experts, suggesting measures ranging from common speed limits to driving licence requirements.

He commended the report as a seed-bed of pragmatic initiatives and said that they should not become the object of jurisdiction squabbles between member states and the Commission.

Member states by no means accept that issues such as road safety fall within the Commission's competence. Germany, Mr Van Miert admitted, objected to EC attempts to set speed limits, the UK sought to preserve its generally tougher limits on alcohol for drivers, while Denmark was also hesitant about EC interference.

But he called for a concerted effort to build at Community level upon the best that exists at national level, and said the Commission would present concrete proposals this year.

Mr Christian Girondeau, chairman of the experts' group, underlined the war analogy by stating that since August 2 last year – when Iraq invaded Kuwait – 25,000 people had died and 750,000 people had been injured on Community roads. He put the economic cost of this at Ecu70bn ($98.7bn) a year – or more than the national output of Portugal, Ireland or Greece.

Average risk on EC roads is nearly twice that of the US, and the report concludes that if the Community were to reach American standards, 25,000 lives could be saved each year.

In the EC, the average number of fatalities per 100m kms per vehicle is 2.72 – ranging from a mean of 1.39 in the UK to 10.56 in Portugal. The US average on the same measure is 1.45.

In a list of 64 suggestions, the report stresses the need for common and lower speed limits, lower permitted levels of alcohol and random breath-testing, compulsory dipped headlights for daytime driving, uniform signs, road building and road network standards, a range of safety improvements to cars, and adoption of the UK model of "accompanied learning" to drive.

The experts particularly emphasised the need to "deprive speed of its market" by emphasising safety rather than speed as cars' selling point.

"With generalised speed limits there would no longer be any incentive to market faster and faster cars," Mr Gerondeau said.

Private phone links found in east Germany

By David Goodhart in Bonn

THE German Post Ministry has discovered 23 private telephone networks in east Germany, including one controlled by the former Stasi secret police.

Mr Frerich Görts, a state secretary in the Post Ministry, said yesterday that most of the private networks, except for those like the Stasi line which have been disconnected, are being allowed to continue.

This is because of the shortage of telecommunications capacity throughout the country.

Mr Görts said that the networks would be given temporary permission to continue operating although this transgressed the state monopoly on telephone links.

He also indicated that this special status would only last for between one and two years. After this period the private networks would be subsumed into the public network.

The private networks are estimated to have about 300,000 telephone lines. This compares with 1.5m for the whole of east Germany.

The Post Ministry is facing a dilemma over the private networks.

On the one hand it does not want the telephone monopoly undermined and desperately needs the extra lines.

On the other, many of the networks are being put to good use and it would be a further blow to many east German companies if they were unplugged.

The issue was first brought to light when the west German chemical industry illegally connected itself to the east German chemical industry network, thus allowing the east German companies the rare luxury of telephoning into west Germany.

The private networks are divided into five user groups – military, administration, transport, energy and chemical industry.

The Post Ministry and Telekom, the state-owned telephone service, continues to be criticised by supporters of deregulation for not allowing the private sector a larger role in building up telephone links with east Germany.

The latter remain as bad as ever and demand for fresh links is increasing at a rate faster than the system can be expanded.

However, the Post Ministry's earlier three-year exception to the telephone monopoly, for satellite links to east Germany, looks likely to be extended. Because of the cost of satellite links, the three-year limit had put off many companies and only one, Preussen Elektra, has so far received a licence.

The ministry is also permitting PMR (Private Mobile Radio) in east Germany a local form of radio telephone.

Turkey lifts restrictions

TURKEY'S central bank this week lifted restrictions on bank deposit rates in the latest move to boost confidence in the lira and head off any run on the currency, writes John Murray Brown in Ankara.

Banks, previously restricted to a 1 point rise, will now be able to to lift rates without limit, the only condition being they notify the central bank two days in advance.

The Bank announced a 3 point increase to 48 per cent in the rediscount rate, the bank's key instrument for determining market rates. Both steps are aimed are boosting lira deposits and preventing a switch into foreign exchange.

Businessmen to present green plan to UN

FORTY business leaders have joined forces to draw up policies on the environment and present them to the United Nations Conference on Environment and Development in Rio de Janeiro next year, writes John Hunt, Environment Correspondent.

The new Geneva-based Business Council for Sustainable Development aims to ensure that the voice of business and industry is heard at the conference.

The group, with a budget of $5m, has been formed by Mr Stephan Schmidheiny, a Swiss industrialist. He said yesterday the idea was to develop workable environmental proposals "within the framework of a market economy."

Its aim is to ensure that economic growth can continue in a way that is compatible with protection of the environment.

Mr Schmidheiny said yesterday that sustainable development means meeting the economic and social needs of today's generation without compromising the wellbeing of future generations.

"Business bears its share of responsibility for past environmental problems but is very well-placed to make a major contribution to solutions in the future," he said.

UK to seek industry's view on EC insurance directive

By Eric Short and David Lascelles

FT CONFERENCE

EUROPEAN INSURANCE FORUM

THE third EC non-life directive lays down the framework for a single European insurance market, Mr John Redwood, UK Consumer Affairs Minister, said yesterday at the FT European Insurance Forum.

He told delegates on the second and final day of the conference that the British government welcomed the proposals in the directive. But it was keen to get the views of the insurance industry on several technical aspects.

So he was issuing a consultative document, setting out the government's views on the directive and the points on which it sought the industry's views and reactions.

Mr David Coleridge, Lloyd's chairman, said the creation of the European insurance market would open up new prospects for Lloyd's, which had always thrived on change.

But he had two reservations. One was the growth of a fortress mentality in Europe, which would be anathema to an institution where free trade almost amounted to an article of faith.

The second was aspects of the UK tax regime which he believed put UK insurers at a disadvantage compared to their EC partners.

Mr Axel von Krosigk, member of the management board of Colonia Versicherung of Germany, said his company's acquisition by Victoire of France had created possibilities for a truly multinational group. It could be seen as a kind of model and had encountered no serious problems.

"We are going to see Europe growing together and becoming an economic and political unit with differing regional, cultural and sociological characteristics. In this context we feel that we represent the 'true Europe' in its best sense," he said.

A word of warning to insurers operating in the New Europe was given by Mr Chris Pountain, executive director, Morgan Stanley International.

In particular, he felt that the growing shortage of capital throughout the world would have a serious impact on insurers wishing to take advantage of the new opportunities in Europe. He considered it vital that companies kept short-term costs under control and not to weaken their capital base so much that they would not be able to participate in the good times.

Mr Chris Pountain, executive director of Morgan Stanley International, reflected that: "The game in insurance markets in the last few years was to hang in there in the expectation that other companies would get into trouble before you did." He said that competitors did not in fact get into trouble because they offset their insurance losses with investment gains. "But if the investment gains aren't there the game changes ... we have to expect that companies will be pushed into insolvency or at least need to be rescued."

To prosper, in the future, companies should have a very clear idea of where they want to be in the future, develop the relevant expertise and obtain access to their desired clients. Mr Pountain said it would help to take an imaginative approach to strategy – but it was equally valuable to keep short-term costs under control.

Mr Robin Rowland, director and group general manager, Royal Insurance Holdings, spoke on the position of insurance in Europe in the context of world insurance operations and how European strategy would be influenced by worldwide insurance strategies.

In particular, he reminded delegates of the need for insurers to focus on individual insurance markets and the need for co-ordination between strategies in the various markets.

Mr Robin Rowland, group general manager of Royal Insurance, said that the Single Market programme would be good for the insurance industry. He said however that Europe would continue to be made up of different cultures, languages and tax systems which could not be ignored.

"Market focus must remain paramount," he said. "We do not have to do personal motor in Massachusetts just because we do personal motor in another state. Similarly between Netherlands and France or Ontario and Nova Scotia."

Greek Communist chairman in surprise resignation move

THE chairman of the Greek Communist Party (KKE), Mr Harilaos Florakis, yesterday surprised delegates to the party congress by announcing his resignation, Kerin Hope writes from Athens.

Mr Florakis, 76, said he wanted "to be a simple foot-soldier in the party" after 18 years as leader.

He backed "modernisation while staying steadfast to the principles of Marx, Engels and Lenin."

His announcement caused a shocked silence among 1,800 delegates and observers, including Prime Minister Constantine Mitsotakis, whose conservative party joined the KKE in a short-lived but successful coalition government in 1989.

It will now be easier for the KKE's young reformers, who had been expected to challenge Mr Florakis in closed session, to find a compromise leadership candidate.

The most obvious choice would be Mr Grigoris Farakos, the secretary-general.

Yesterday, he urged reform but "party unity above all else". Mr Farakos, 63, is close to the Stalinist veterans who dominate the politburo.

Computer makers go in search of Chinese goodwill

Lynne Curry reports on a growing number of foreign joint ventures in an undeveloped market

UNDER mounting pressure from Peking to transfer technology and lured by the large Chinese market, foreign computer companies have increasingly formed a series of joint ventures with Chinese organisations over the last year.

Faced with the possibility of being denied access to Chinese consumers if they do not attempt to transfer technology, most major computer companies are working to accommodate Peking's demand. "The Chinese are using market access as a vehicle to leverage foreign companies to import technology," said one executive from a western computer manufacturer.

Traditionally reluctant to invest in China because of the difficulties of doing business and the lack of adequate legislation protecting intellectual property rights, foreign computer corporations have turned to joint ventures.

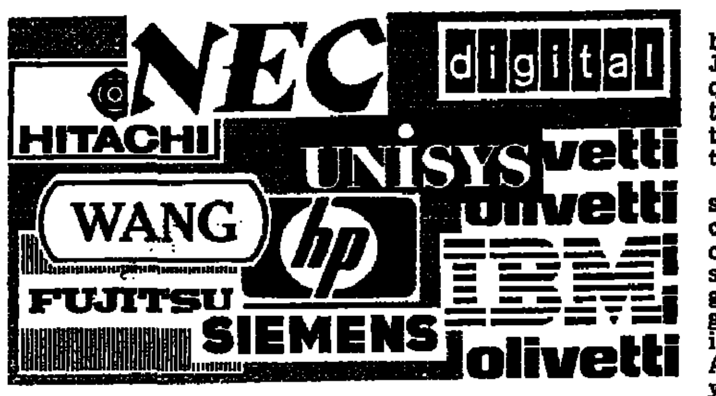
"Creating joint ventures in the computer industry is an image move - a gesture to gain the good will of the Chinese," said one western executive whose computer company has formed a joint venture. "The Chinese look at joint ventures as a long term commitment to invest rather than as a profit-making organisations."

Most are losing money. Despite the difficulties of doing business here, the attraction of the Chinese market is so great the number of companies with offices in Peking reads like a who's who of the computer industry: IBM, Hewlett Packard, Digital Equipment Corporation, Wang, Hitachi, Fujitsu, Siemens, Olivetti, Unisys and NEC, among others.

Within the last year, at least six joint ventures involving big foreign corporations have been formed and others are being considered. IBM and its joint venture partner, the Tianjin Zhonghuan Computer Corporation will produce ps/2s, one of the US manufacturer's next generation of personal computers, largely for sale within China.

The joint venture will also act as IBM's procurement agent to supply Chinese-made parts and components to its factories elsewhere in the world. In addition, IBM has moved aggressively to establish a second joint venture in Shenzhen, which borders Hong Kong, to provide software for use in the ps/2.

One of the oldest companies in the Chinese market, Hewlett Packard signed its second joint venture last year. Under the terms of its deal with a Shanghai computer institute, it will make work stations for the domestic Chinese market and will also develop software for use worldwide.



HP has a marketing and sales joint venture in Peking and manufactures analytical products in Shenzhen.

Unisys has set up a joint venture with the Ministry of Aerospace to supply software for the ministry's use.

NEC is participating in a joint venture with Capital Iron and Steelworks, one of China's largest steel manufacturers which is located in Peking, to produce large scale integrated circuits. NEC is also involved in a separate deal with Tianjin Zhonghuan Computer Corporation to make switching equipment for use in telephone exchanges.

Digital Equipment Corporation (DEC) signed an agreement with the Taiji Computer Corporation, one of China's major domestic computer makers, at the end of last year to produce software in Shenzhen.

Based in Peking, Taiji already manufactures a Vax minicomputer under license from DEC.

DEC's recent agreement underscores the strategy many computer makers have adopted. Siemens-Nixdorf and Hitachi are each believed to be considering similar joint ventures to produce software, according to Japanese computer makers. Fujitsu already has a co-operation agreement with Qinghua university in Peking to turn out software for the Japanese and American markets.

Most foreign computer corporations are seeking to exploit China's huge potential for software development because of the minimal investment required and the country's cheap labour.

In addition, some western businessmen say the US and Japan will face a shortage of qualified software engineers in the first decade of the next century. China will be well placed to fill that gap.

"Computer companies are subcontracting the less complicated work to the Chinese," one Japanese businessman said. Recently, the Chinese government has also placed greater priority on developing its own computer industry. According to the eighth five year plan, which took effect from the beginning of this year, the government plans to invest in computer production lines, most software factories, and to establish three computer export bases in the Fujian-Guangdong region, Shanghai and the Tianjin-Bohai Gulf area.

Foreign penetration of the personal computer market is extremely difficult. Undercutting the price of relatively well known Chinese brands like Legend, Taiji and Great Wall is hard when tariffs on imported personal computers are 100 per cent.

Mainframe demand is large, but the costs are prohibitive for most Chinese organisations. With the exception of a few mainframes produced by the army, virtually none are made in China. Between 50 and 80 are imported annually, computer executives said.

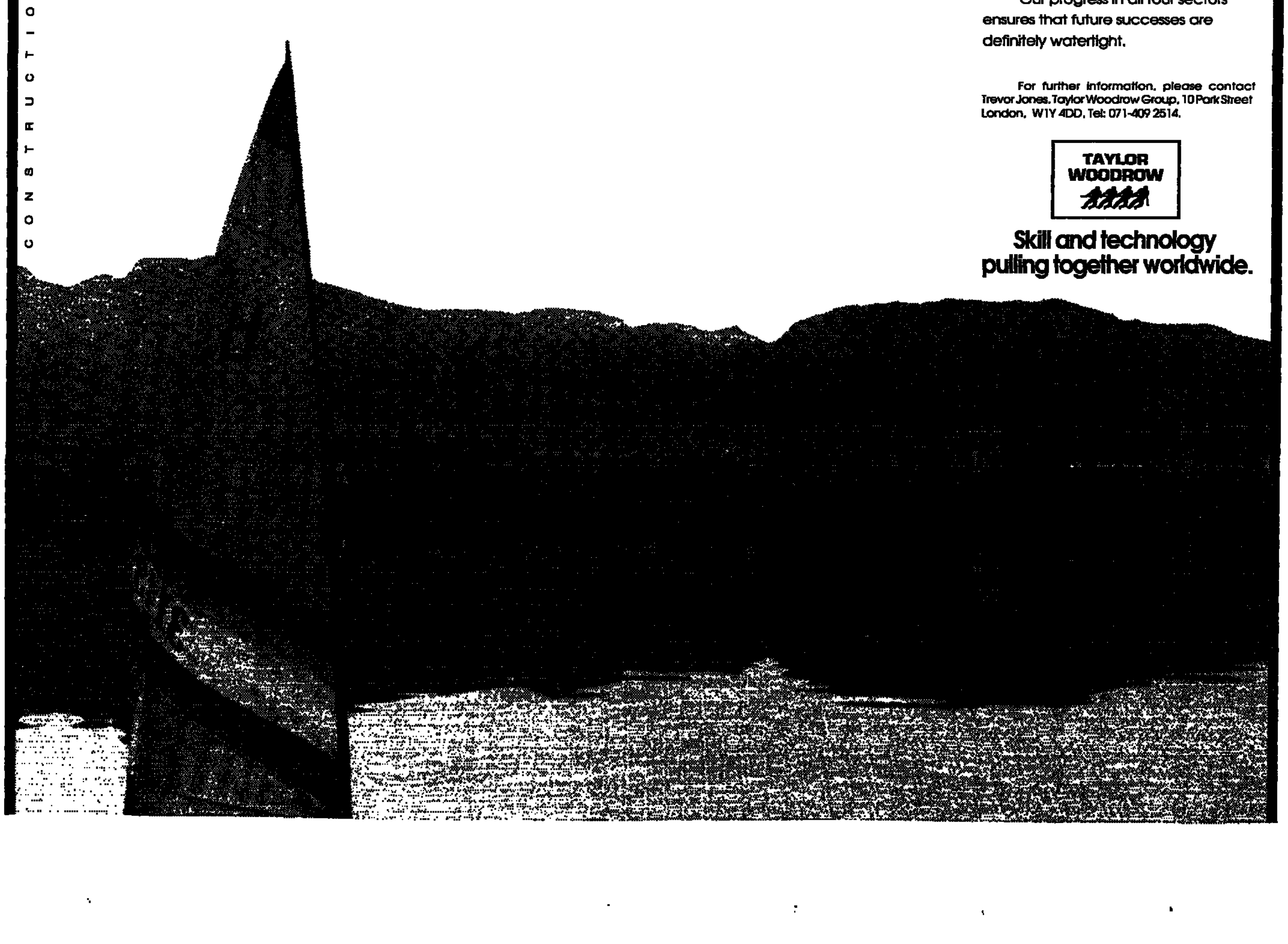
Competition among foreign computer makers for minicomputer sales is fierce in the area many have targeted as having the most potential. Over the years DEC, IBM and HP have led minicomputer sales in China.

Foreign computer makers are also attempting to break into the computer networking market. Chinese organisations have many computers that are unable to communicate with each other. In the mid-eighties, the Chinese began to develop a computer packet switching network as CoCom restrictions eased.

"The Chinese have recognised that it makes no sense to have single unit computers, but they must have ones that talk to each other," one western computer executive said.

However, connecting computers together is a complicated task involving correcting problems of compatibility and bad wiring over long distances between provinces.

Despite China's lack of a broad data base from which to develop faster, more sophisticated computers, western experts cautioned against underestimating the Chinese. With their cheap labour costs and increasingly skilled software engineers, businessmen believe the west cannot afford to ignore the Chinese.



Gatt talks hang on EC attitude to farm reform

By William Dullforce in Geneva

THE FATE of the international trade talks depends on how the European Community will respond today to a proposal on agricultural reform.

Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade (Gatt), will put to a meeting of the group negotiating on agriculture in the Uruguay Round a formula which he hopes will be accepted as a basis for resuming negotiations on reductions in farm subsidies.

Over the last 36 hours, other countries whose trading interests are linked to farm reform, including the US, Japan and the 14 farm-exporting countries joined in the Cairns Group, have told Mr Dunkel that they will not object to his formula.

He will call for Gatt members to make "specific binding commitments" to negotiate reductions in farm supports in each of three areas – internal assistance, import barriers and export subsidies.

Last week, after 10 days of hectic transatlantic exchanges, the EC Commission told the US Trade Representative's office that it was not prepared to commit itself in advance to negotiate specific and separate cuts in all three areas.

In part at least, the Commission appears to have been reacting angrily to an attempt by Mrs Carla Hills, US Trade Representative, to wring from Mr Frans Andriessen, EC Trade Commissioner, assurances that the EC would be more flexible on some outstanding issues, if the talks were restarted.

Mr Dunkel was asked to find a way of rescuing Gatt's four-year trade liberalising exercise after it had broken down over the agricultural issue at the meeting of world trade ministers in Brussels in December.

His consultations have shown that an overwhelming majority among the key players in the farm talks wants to see reductions in all three forms of farm supports. They refuse the approach favoured by the EC under which reductions would be tied to an overall yardstick, leaving it to governments to decide the nature and depth of the cuts in each sector.

Members of the Cairns Group stressed yesterday that Mr Dunkel's formula represented "the bottom line" for them.

Moreover, they added, the formula did not ask the EC to go beyond the commitments which it had signalled that it was ready to make at the trade ministers' meeting in December, and which the Commission has since reproached other countries for not exploring more carefully.

Under Mr Dunkel's programme for restarting the Uruguay Round, negotiators dealing with textiles and clothing should meet this afternoon – assuming that the agricultural hurdle is successfully crossed in the morning.

ICL wins £9m computer contract from Spain

INTERNATIONAL Computers, the UK-based computer maker now a member of the Japanese Fujitsu group, has won a substantial order from the Spanish Ministry of Social Security and Labour, beating International Business Machines and Siemens Nixdorf – and its parent company, **Alan Cane reports.**

The coup underlines the way ICL, although technically a Fujitsu subsidiary, has been given considerable business and competitive autonomy by its parent. Fujitsu has since signed a marketing arrangement with ICL, meaning it will be able to market ICL computers in Spain, Japan and other territories.

The order is for 225 of ICL's new DRS6000 computers and some 3000 terminals. With office automation software, the order is worth some £9m, representing a major "open systems" investment for the Spanish government. It is ICL's biggest order for the DRS6000 computers launched in January last year. Open systems allow software from a range of makers to be run on the same hardware. They can yield large savings for computer users and are increasingly being specified for government contracts.

Czechs want own motorway to west

A new link to the EC is proving a problem, Leslie Colitt writes

THE treacherous, bone-crushing 90-kilometre E15 road between Prague and the German border – part of the main north-south highway between Berlin, Dresden and Prague – is more time-consuming and terrifying than the entire 196-kilometre Autobahn between Dresden and Berlin.

At one point, the pot-holed E15 traverses the city of Terezin, veering sharply just as startled motorists groping through a foggy night see a mighty stone wall looming only a few metres ahead.

Building a motorway to replace the narrow, winding two-lane road clogged with trucks from Scandinavia, Hungary, Austria and Czechoslovakia is a priority task for a nation which wants to join the European Community.

Prague's tender last year to build the highway through northern Bohemia met with enthusiastic reponse from 22 Western companies. The highway is to be completed before the turn of the century, by which time Prague hopes to be in the EC.

But a new tender is now likely to be needed, as responsibility for roads in Bohemia and Moravia passed last month from the Czechoslovak Federal Government to the Czech Republic. Similarly, a plan to construct a connecting highway of a few kilometres from Bratislava to the Austrian border near Vienna, is now in the hands of the Slovak Republic.

Mr Milan Machart, responsible for road construction in the Federal Transport Ministry until last month, believes the two republics will carry out his Ministry's basic concept. But instead of building 550 kms of highway in Bohemia, the Czech Republic is now thinking more modestly of 200 kms.

This, however, would include another important land link to the west, the E12 east-west road connecting Prague, Pilsen and the German border near Nürnberg. Only 40 kms of the E12 are motorway but Mr Machart said the remaining 122 kms could be completed by 1997.

Strapped for hard currency, the Federal Government envisioned building toll roads similar to those in the US, France and Italy. It also wanted to introduce tolls on the existing four-lane motorway connecting Prague with Brno and Bratislava on the border with Austria. The latter road charges would finance modernisation and maintenance, in addition to such badly-needed facilities as motels and fast-food outlets. But toll roads are thought likely to meet with huge opposition from citizens already burdened by soaring prices.

"It is a sensitive topic," Mr Machart admitted. This is especially so as Czechoslovak had the highest density of cars after the former East Germany among the eastern European countries that belonged to Comecon.

He noted that Hungary and Romania were also planning to collect tolls on new highways and that Czechoslovaks who could not afford to pay to use them in their own country had an ample choice of alternative roads in one of the tightest road networks in Europe. Besides, he predicted, people would want to use the new motorways to save time, an essential element in the newly-emerging market economy.

Mr Machart said Czechoslovakia stood a good chance of attracting Western cars and trucks onto a north-south toll motorway across its territory as the German Autobahn system increasingly looked like becoming Europe's longest permanent traffic jam. A modern Czechoslovak north-south motorway would also become attractive to Western motorists as border controls were reduced to a minimum, Mr Machart noted.

"I'm sure the German authorities would be happy if Czechoslovakia took some of the traffic away from the Autobahns," he said.

Menem intervenes to aid strike victims

By John Barham in Buenos Aires

ARGENTINA'S president Carlos Menem has ordered the presidential jet Tango 1 and three military aircraft to transport back to Buenos Aires between 5,000 and 6,000 holidaymakers, stranded at the beach resort of Mar del Plata by a week-long railway strike.

The stoppage is the first serious challenge to an anti-strike decree Mr Menem introduced last October; he has threatened to use military force to break the strike. The railwaymen, who are demanding a 200 per cent pay increase, have said they will resist.

The nationwide strike at state-owned Ferrocarriles Argentinos is at the head of public sector unrest.

The government is determined to block public sector wage increases to stabilise its ailing finances. Mr Saúl Bouer, Treasury secretary, said yesterday the government would be able to eliminate its spending deficit as early as March "as long as there is no further pressure for wage increases".

However, Mr Menem has this week offered to increase teachers' wages by using revenues from an emergency tax package which the government hopes will raise an extra $2.4bn a year.

Mr Güerino Andreoni, leader of a disaffected union confederation, accepted yesterday Mr Menem's offer to manage Anssal, the official body that funds union welfare schemes.

Anssal and its multi-million dollar budget is coveted by union officials for the power it confers in labour politics.

The Economy Ministry claims the teachers' pay increase, expected to cost between $600m and $1bn a year, has already been accounted for and will not undermine its efforts to balance the budget.

Carlos Menem: threatened to use military force

Asian immigrants bring Vancouver a facelift

Bernard Simon on the city's changing social fabric

VANCOUVER'S Chinatown branch of Hongkong Bank brought forward its opening time by one hour last year as a courtesy to passengers arriving on Cathay Pacific's early morning flight from Hong Kong.

Almost every flight brings another group of immigrants from Hong Kong, China and increasingly Taiwan, all planning to make a new home for their families and their money on Canada's west coast.

Hongkong Bank, a subsidiary of Hongkong & Shanghai Banking Corp, opens 20 new accounts each day at its Chinatown branch. The number of customers at the branch has spiralled from 4,000 to 14,000 in the past four years.

The new arrivals are changing the face of Canada's third biggest city. Although the numbers of Asians moving to San Francisco, Los Angeles, Sydney and Toronto are probably higher, their impact seems to be greatest in Vancouver, a city of only 1.5m people and one which used to pride itself on its homogeneous British character.

In terms of ethnic mix, Vancouver is set to become a mainland version of Hawaii by the end of the decade.

Already, more than 40 per cent of the 53,000 children in Vancouver schools speak English as their second language. In some public schools the proportion is more than 90 per cent.

The city now boasts some of the finest Chinese restaurants outside Hong Kong. Some superstitious Chinese home buyers have even had the street numbers of their houses changed from unlucky threes and sevens, to more propitious fours and eights.

The Canadian government, in an important symbolic acknowledgement of the Chinese community's influence, has named Mr David Lam, a wealthy real estate developer who arrived from Hong Kong 25 years ago, as lieutenant-governor of British Columbia, the provincial equivalent of a governor-general.

In financial terms too, Hong Kong and Taiwan's loss is Vancouver's gain.

About two-thirds of the city's hotels are owned by Far East companies, and members of the Chinese community are among the biggest donors to the University of British Columbia. "If you're going to have a major fund-raising event in the city now, you can't leave the Chinese community out of it," says a banker.

Although Hong Kong magnate Mr Li Ka-shing still lives in Hong Kong, one of his companies, Concord Pacific Developments, plans to spend C$2bn (£880m) over the next decade on a mammoth 204-acre commercial and housing project which will expand the city's downtown area by about one-sixth.

Mr Li's prominent partners in Concord Pacific include Mr Cheng Yu-Teng, owner of Hong Kong's New World group, and Mr Lee Shau-Kee, who controls the colony's gas company.

The Asian influx is not without its tensions, however. It is turning into a key test of Canada's unusually tolerant policy towards immigrants, under which more than 80,000 settlers from Hong Kong alone have arrived in Canada in the past seven years.

Under its "multi-culturalism" policy, Ottawa encourages newcomers to keep up cultural and other links with their countries of origin, rather than be stirred into a US-style melting pot.

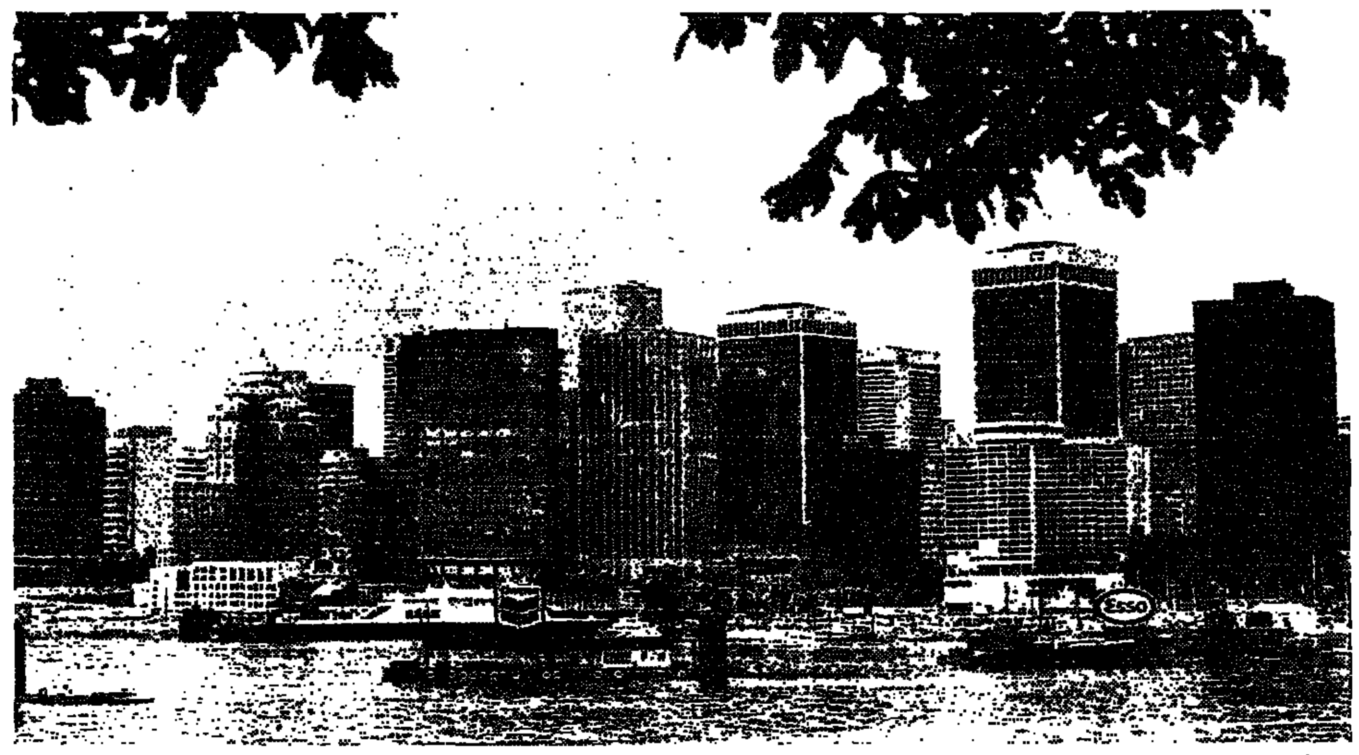
Some Vancouver residents condemn the Asian influx as a threat to their paradise on the Pacific; the newcomers are accused of pushing up house prices, spoiling homely neighbourhoods by putting up enormous "monster houses", and generally flashing their wealth in a way few locals are able to do. The Vancouver version of a yuppie is known as a chuppie – Chinese upwardly-mobile professional.

The hints of hostility, even overt racism, have set alarm bells ringing both in the Chinese community and among many concerned Caucasian residents.

Sensitivity among ethnic Chinese about not being fully accepted into mainstream Canadian society is increasing the pressure to conform to the less vibrant local lifestyle. The United Chinese Community Enrichment Services Society (Success) is a non-profit-making social services agency which works hard to build bridges between new and old Canadians.

On another front, several prominent local residents, including several of Asian extraction, formed three years ago the Laurier Institute, an independent body which tries to provide empirical data on the issues which threatened racial harmony.

The institute's first project was to research the housing boom which has seen Vancouver house prices rise to almost match those of Toronto. It concluded that newcomers from other parts of Canada and wealthy baby-boomers were more to blame than immigrants from Hong Kong.



Glyn Genin

Downtown Vancouver: two-thirds of the city's hotels are owned by Far East companies

Progress in Drexel claims case

BANKRUPTCY proceedings in the case of Drexel Burnham Lambert have taken a significant step forward, with many of the investment bank's big creditors agreeing to reduce their claims, writes Nikki Tait in New York.

The creditors' agreement follows negotiations between the various parties, including the Federal Insurance Deposit Corporation, which claim to be owed money by the investment bank. The creditors also came under pressure from the bankruptcy court judge to speed up the process.

The FDIC's claim against Drexel ran to several billion dollars. There were suggestions that the claims amounted to some $20bn, whereas Drexel's assets are put at around $2.8bn. Drexel said it expected an outline document, detailing the plan, to be submitted to the courts shortly. The agreement does not incorporate the Internal Revenue Service, which last week put forward its claim for over $5bn.

Increase in investment for US airlines sought

By Peter Riddell, US Editor, in Washington

CONGRESS should consider changing the law to permit greater foreign investment in US airlines' voting stock, Mr Samuel Skinner, the transport secretary, urged yesterday.

Foreign groups cannot hold more than 25 per cent of the voting equity in US airlines. Mr Skinner called on Congress to consider raising the limit to 49 per cent which "might very well attract additional capital" from foreign investors.

This would enhance the airlines' competitiveness and allow them to participate in the creation of global airline companies.

Several foreign airlines, including British Airways, are keen to gain greater access to the American market by acquiring a US carrier. Many US airline companies are facing considerable financial problems.

However, Mr Skinner's call faces resistance from many leading Congressmen.

Senator Wendell Ford, chairman of the aviation sub-committee of the Commerce Committee and the Democratic majority whip, was particularly critical of a decision already taken to relax rules on foreign investment.

This allows foreigners to own up to 49 per cent of equity, though only up to the current statutory limit of 25 per cent of voting stock.

Senator Ford said Mr Skinner's decisions over the past few months would "speed consolidation, stifle competition and restructure the domestic airline industry."

Mr Skinner said the current consolidation of the industry was "no ground for panic" and modest competition would continue even with a smaller number of carriers.

● The US Department of Transportation has rejected British Airways' application to cut summer discount return fares to the US by one-third, Reuter reports.

Asylum for IRA fugitive to be decided

THE US Supreme Court said yesterday it would decide whether an Irish Republican Army fugitive convicted of murdering a British soldier should be allowed to apply for political asylum in the United States, Reuter reports from Washington.

The court agreed to hear an appeal by the Justice Department, which has waged a long legal battle to deport the fugitive, Joseph Doherty, to Britain.

Doherty was found guilty in 1981 by a British court in Belfast of machine-gunning to death a soldier during an ambush of a British Army convoy in Northern Ireland.

Doherty, 36, who was given a life sentence, escaped from a maximum-security jail in Belfast in 1981 and fled to the United States the following year, where he has been imprisoned since.

Colombian forces haul in cocaine

SECURITY forces have been seizing cocaine this year at a record rate of more than 225kg a day, a presidential communique published yesterday said, AP reports from Bogota.

The communiqué said the confiscations "are without precedent in the fight against drug trafficking."

The army and police are continuing a massive crackdown on the cocaine cartel in conjunction with President Cesar Gaviria's efforts to entice traffickers to surrender by offering lenient court treatment.

So far this year, security forces have seized about 11,460kg of pure cocaine, said the government's statement.

In addition, army and police in 1991 destroyed 18 drug laboratories, arrested 108 accused smugglers and confiscated scores of weapons, the statement said.

UK NEWS

Governor keeps silent over possible action in the Harrods Bank affair

By David Lascelles, Banking Editor

THE GOVERNOR of the Bank of England defied a House of Commons committee in parliament yesterday by refusing to say whether he had taken any action in the Harrods Bank affair.

Mr Robin Leigh-Pemberton told the trade and industry select committee that the banking laws prohibited him from disclosing information obtained in his role as supervisor of the banking system.

Members wanted to know what the Bank had done about the Fayed brothers who acquired Harrods in 1985 and along with it Harrods Bank. A subsequent government report said the Fayeds had lied about their business and background, and raised doubts as to whether they had bought the bank with their own money.

Question-time: Robin Leigh-Pemberton puts his point during yesterday's hearing

Mr Leigh-Pemberton appearance at the House of Commons will probably go down as the least comfortable public moment in his seven-year tenure at the Bank.

His grilling at the hands of the committee yielded precisely nothing in terms of pure information. But it must have achieved the committee's goal of stirring up the Harrods bank affair.

Mr Leigh-Pemberton's discomfort began many weeks ago when he agreed to appear before the committee, but on the strict understanding that he would refuse to answer any specific questions about the Fayed brothers' role in the Harrods affair because of secrecy imposed by the banking laws. Their status as "fit and proper" owners of the Harrods Bank had come into question. But long after the event, the Bank of England still appeared to have done nothing.

The discomfort continued when he was made to wait in the corridor like everyone else for the committee doors to open. Flanked by aides, he took his seat in the bright sunlit room, with every place taken and the TV cameras rolling.

It all began courteously enough. Mr Kenneth Warren MP, the chairman, and his colleagues posed a string of general questions about the Bank's powers as if they had never heard of Harrods. And the governor, in his best gentlemanly manner, gave polite, if bland replies.

But then Mr Warren's smile hardened, and the questions became more pointed.

Would someone who had lied about their business, their family and their money be fit and proper to own a bank? "Most unlikely" said the governor. And what if that person had perpetrated "a substantial deceit". Again most unlikely. Even if it was in a foreign country 20 years ago? That would not make much difference.

Was it true that the Bank had received the DTI report two and half years ago? Yes. Did the governor accept its conclusions? Yes.

In that case, – and the questioning was now obviously reaching its climax – why were the Fayeds still controllers of Harrods Bank?

"I cannot answer that question". It was the moment of truth, and the even temper of the committee evaporated. Faces reddened, papers were waved, voices were raised. The governor poured himself some water.

Why not? The governor drew breath for what was evidently a well-rehearsed statement: "The effectiveness of the Bank of England is absolutely dependent on the fact that people believe that information given about people and institutions will remain in confidence."

Try as they might the MPs made no further headway. They even failed to ascertain whether the Fayeds were still considered by the Bank of England to be controllers of Harrods Bank, let alone whether the Bank of England intended to prise the bank from their grasp.

After another hour of questions, the committee went into private session in the hope of extracting more information from the governor behind closed doors. But he had warned them in open session that he would be equally unforthcoming in private.

But the session was not completely futile. Reading between the lines of what the governor did say, one could construct a possible scenario.

It was evident that the DTI report's findings were grounds for concern at the Bank for at least two reasons: the Fayeds had misrepresented their business background, and they did not have enough money to buy Harrods themselves. The governor said the Bank would want to trace the source of funds to find out who the real controllers were.

The Bank must therefore have been obliged to take action. The committee members speculated that the Bank could have disqualified some of Harrods Bank's directors, or limited its ability to do particular types of business, or imposed conditions on it. But under the Bank's statutory procedures, all these actions are subject to appeal to a secret tribunal which could take several months to convene and pass judgment.

Is this what is now going on? The governor said there had been no tribunals since the passage of the 1987 Banking Act. But that need not mean one was not about to be convened.

The select committee's frustrations were easy to understand. They had been thwarted by the provisions of an law which parliament itself had created. The governor was effectively saying: "Trust us to do our job properly." The only person he is sharing information with outside the Bank is Mr Norman Lamont, the Chancellor of the Exchequer.

The committee may also be justified in feeling that they have exposed an absurdity in the law where the Bank is obliged to respect the confidences of people who have been strongly criticised by the DTI, and to weigh their interests more highly than those of the country's elected representatives. As one of its members said, there may be good cause to amend the law.

BRITAIN IN BRIEF

London has second day of chaos

Thousands of passengers were evacuated from stranded tube trains in London as bomb scares caused a second day of disruption on the capital's transport network.

About 4,000 people were evacuated from trains trapped between stations on the Central Line after smoke started pouring out of the motor of one train.

About 30 people were taken to hospital suffering from heat exhaustion, stress and the effects of smoke inhalation after being caught in stifling carriages for up to six hours. One man had a heart attack.

SA sport link called for

The prime minister, Mr John Major, called for the world to resume some sporting links with South Africa.

His comments raised speculation that Britain might be preparing to break with the Gleneagles agreement under which the links are banned.

Industry jobs fall below 5m

Manufacturing employment in Britain will fall below five million this month for the first time this century, according to Mr Gordon Brown, the Labour party's opposition trade and industry spokesman.

Almost one manufacturing job in every three had been lost under the Conservative government and they were now being lost at 15,000 per month, he said.

● The numbers of long-term unemployed has risen for the first time for five years. The 17,000 rise in the quarter to January takes the total in the numbers of those out of work for one year or more to 525,000.

This first rise in long-term unemployed since January 1986 follows 10 consecutive monthly rises in headline unemployment.

Gordon Brown: one job in three lost under Tories

Paint 'causes sickness'

More than 90 per cent of painters and decorators have suffered health problems after using solvent-based paints, according to a survey published by the construction union Ucatt.

The union is launching a national campaign to get the paints banned and replaced with water-based products.

Harrods cuts workforce

Harrods, the London department store, is to make up to 600 staff redundant over the next three months in response to the deepening economic recession and the fall in tourist spending as a result of the Gulf war.

This development will confirm the retailing industry's fears that high street sales have experienced a severe fall this month, even considering that February is traditionally the quietest trading month of the year.

The announcement follows 90 job losses at the store last month which slimmed the workforce down to just under 4,000.

Backing for film industry

The government renewed its pledge to support the UK film industry and rejected claims that a £5m rescue package proposed by Mrs Thatcher last year had been scrapped.

British Film Institute director Wilf Stevenson had feared that the money to help European co-production projects over a three-year period would be shelved.

Ambulance record defended

The London Ambulance Service, stung by union attacks on its ability to handle big emergencies, gave a positive account of its response to Monday's Victoria Station bombing.

Mr David Lloyd, director of operations, said the service's handling of the latest bombing demonstrated that the union allegations "of an inadequate London Ambulance Service response to major incidents are unfounded".

He said that within 12 minutes crews from 10 of 14 ambulances sent to Victoria were on the scene, the first arriving within seven minutes.

Union leaders said lessons had not been learned from recent disasters such as the King's Cross fire, the Clapham train crash and the Marchioness sinking on the Thames.

Polly Peck office furniture comes under the hammer

Ayesha Nadir, the former wife of Polly Peck chairman Asil Nadir joins the bidders at the auction for the content's of her ex-husband's London office.

Polly Peck collapsed spectacularly last autumn after a visit from the Fraud Squad. At the request of the administrators brought in to salvage as much as possible from the wreck, Phillips auctioned off the furnishings of the corporate headquarters and brought in £4.46m. Mr Nadir invested heavily in 18th century English furniture in the late 1980s, when its price was rising rapidly, and spent a reputed £7m on his corporate collection.

But the art market is in recession and, to attract an audience and encourage brisk selling, Phillips set low estimates on the furniture.

Mercedes-Benz 300E: exterior door handles are button-free closed loops designed to provide the best possible grip if rescue is needed.

Even before you start the engine, it sounds like a Mercedes-Benz

A discreet push, a cushioned "thunk". The door of your Mercedes-Benz closes. The rotary tumbler wedge-pin lock meshes with vault-like surety – an audible reminder of the exceptional engineering integrity of all 50,000 parts in a Mercedes-Benz car.

The simple act of closing the door introduces you to four guiding principles of Mercedes-Benz refinement: painstaking build quality, imaginative engineering, comprehensive safety, sensible ergonomics.

The wedge-pin safety lock was patented by Mercedes-Benz in 1958, and they've been improving it ever since. It resists either opening or jamming during an accident, yet remains operable from inside or outside once the crisis is over. And, day-in day-out, no door handle is simpler to use, or more elegant.

Tested and Re-tested

Every other control and detail on every Mercedes model is also designed, tested, then reworked, just as scrupulously, as Mercedes-Benz endlessly strive to perfect their cars.

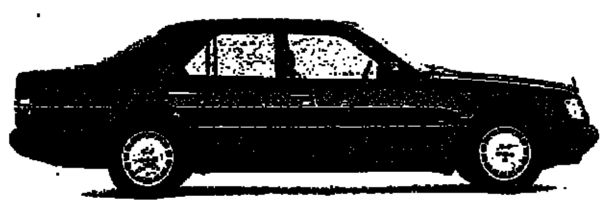
In Mercedes factories, every eleventh assembly-line worker is a quality controller. On the mid-series 200E-300E production line, for instance, there is human inspection of robot inspection of human inspection. There is no more elaborate quality control in the industry. And the computer accuracy of assembly robots is judiciously blended with craftsman skills because Mercedes-Benz believe that certain tasks, such as the final judging of body-panel smoothness and finish, are better left to the seasoned eye of a human being than the accurate but unsympathetic sensors of a robot.

Quality You Can See and Feel

When you inspect a Mercedes-Benz, you will see unsurpassed build integrity in every panel shut-line, every perfectly stitched seam. You will feel it in the balanced weighting of every driver control, and in the powertrain's silken smoothness.

And in the servicing skills offered by the Mercedes dealer network, including Touring Guarantee emergency assistance, you will find Mercedes-Benz integrity constantly reconfirmed.

The 17-model five-seater 200E-300E series is an expression of all that is exceptional about Mercedes-Benz cars. And by the time you've closed the door, you'll have heard one of the reasons why.



Engineered Like No Other Car In The World

UK NEWS

Britain to accept main terms of EC insurance code

By Eric Short

UK RESIDENTS buying non-life insurance products of an insurance company authorised in another EC country, whether direct or through a UK branch, would not be covered by the UK Policyholders' Protection Act, but by the compensation arrangements of that country.

This is one of the consequences of the EC Third Non-Life Insurance (Framework) Directive which sets out the conditions for a EC market in non-life insurance.

It was spelt out yesterday by corporate affairs minister, Mr John Redwood, in introducing the government's initial response to the directive.

The government has broadly accepted the main proposals of this directive, issued last September, since they would result in the UK regulatory system being basically maintained.

However, before the government gets down to a detailed consideration of the directive at Brussels later this year, it wishes to obtain the views of the insurance industry on a number of technical issues.

So its reaction, set out in a consultative document issued yesterday also poses a number of questions on which the government is seeking views and reactions.

The main proposal of the directive is that an insurer in the EC authorised in its own country will be able to provide its non-life products throughout the EC without having to obtain further authorisation from the countries in which it trades.

In effect, each EC country would recognise and accept the authorisation and regulation system of all other EC counties.

In particular, this means that member states would no longer be able to insist on prior approval of premium rates or policy terms, wordings and conditions before another EC insurer could market its policies in that country.

This lack of local control is highly welcomed by the UK which does not impose such restrictions on its authorised insurers, in contrast to other EC countries where the authorities exercise much greater control over their insurers.

Mr Redwood emphasised, however, as this mutual recognition does mean that each insurer will operate under its home country's compensation system.

But the UK, in line with its philosophy of freedom with disclosure, will require each overseas insurer selling to UK residents to emphasise the fact that its policies are not covered by the UK compensation system.

The directive does lay down certain minimum requirements for authorisation of insurers and the government is seeking views on these requirements. In particular the government is seeking views on:

- Rules on shareholdings in insurers.
- The list of admissible assets to cover the insurer's liabilities.
- The addition of subordinate capital to count against the solvency margin.
- The proposal to delegate functions of the Council of Ministers to an Insurance Committee.

Exporters welcome ERM but express fears at weak dollar

By Peter Montagnon, World Trade Editor

BRITISH EXPORTERS have taken entry into the European exchange rate mechanism (ERM) in their stride but have become increasingly worried about the weakness of the dollar, according to the quarterly survey of exporters published yesterday by Barclays Bank and the Small Business Research Trust.

Nearly 31 per cent of the 936 respondents to the survey said their immediate response to the entry announcement was to plan for increased sales. Some 19 per cent said they would seek to increase their competitiveness by invoicing in foreign currency.

The survey includes replies from exporters of all sizes, but more than 90 per cent had a turnover of less than £10m, making the results one of the best available indicators of the attitudes of small and medium-sized business.

The central rate of DM2.95 at which the UK entered the ERM was higher than the DM2.80 urged by respondents to a previous survey last summer.

Only 10.5 per cent of those replying to the latest poll said, however, that the new rate would force them to implement cost control measures.

In contrast to their views on the exchange rate mechanism, the poll revealed increasing worries about exchange rate movements, described as their most serious problem by 42.5 per cent of respondents.

Mr Colin Gray, who was responsible for the survey, said the concern appeared to relate to the weakness of the dollar.

The state of the dollar affected not only firms trading with North America but also those with markets in Asian and Middle Eastern countries whose currencies were linked to the US currency.

Fieldwork for the survey was carried out before the outbreak of hostilities in the Persian Gulf and it gives no indication of the degree to which hostilities and fluctuating oil prices have affected confidence.

In general, the survey reports, exporters are less confident about the future than they were in the summer of last year, but they still regard the prospects for overseas business as better than those for the British domestic market.

The survey identified payment delays and the difficulty of finding an effective overseas distributor as the two other main preoccupations of exporters.

Less than 20 per cent use outside training services and only 10 per cent offer language training to their export staff.

"The small incidence of language training must give cause for concern – particularly with the approaching completion of the single market and the key importance of the European Community for exporters," it said.

Motor trade deficit cut by £1.97m

By John Griffiths

THE MOTOR industry's balance of trade deficit was cut by £1.97m, to £4.58bn last year as car and commercial vehicle exports surged in the last few months of 1990, coinciding with a fall in domestic sales.

The reduction in the deficit, from a record £6.55bn in 1989, is the first for more than five years and reverses a deterioration which had been going on since the late 1970s.

Statistics released by the Society of Motor Manufacturers and Traders yesterday show that £1.023bn of the improvement came in the final quarter. The industry said last night the improvement was one of the most important factors in the £3.5bn reduction in the overall balance of trade deficit last year.

Car exports in the final quarter were the biggest contributor to the improvement, rising by 47 per cent in value, on a year-on-year basis, to £1.117bn. The value of commercial vehicle exports in the final quarter also rose, by 42 per cent to £208m.

Export-bound: Ford cars await shipment from Liverpool docks, north-west England, to overseas customers

In unit terms, the improvement in car exports in the final quarter was even sharper, jumping 60 per cent to 162,238, and bringing the total for the full year to 414,105.

The final quarter improvement in the industry's biggest exports earning sector, parts and accessories, was a more modest 16 per cent.

In contrast to the overall trend, exports of other motor industry products, including tractors, dump trucks, trailers and caravans, rose by only 7 per cent in the final quarter to £371m.

The sharp vehicle exports rise was caused mainly by the resumption of significant car exports to the Continent - for the first time in more than a decade - by Ford and Vauxhall; the start of large-scale exports of the new Primera range from Nissan's manufacturing base in Sunderland; and 70 per cent of record output by Rover Group's Land Rover subsidiary also going for export.

But with new car sales falling in most continental markets and in North America, the industry accepts that it will be difficult to maintain the improvement this year.

Motor product imports also slowed sharply last year, with the exception of parts and accessories, The value of these increased in the final quarter by 4 per cent to £1.348bn, and in the full year by 7 per cent, to £5.435bn.

Shipments to Arab states fall by 29%

BRITISH export shipments to the Arab world fell 29 per cent in the fourth quarter of last year compared with the same period of 1989, according to the Association of British Chambers of Commerce, writes Peter Montagnon.

The decline follows an increase in regional tension caused by the Iraqi seizure of Kuwait.

Figures released by the association showed that 68,580 Arab certificates of origin were issued during the quarter, compared with 96,583 a year earlier.

The certificates are a requirement for shipments to the 19 countries in the Arab league.

Issued by the Chambers of Commerce, they provide an early indication of the trend of trade flows, even though no financial data are included.

For last year, they reveal a steady drop in trade flows as the year progressed, indicating that exporters were winding down their business even before the invasion took place because they were concerned by the growing threat of political instability in the region.

Government defers decision on new tank until Gulf war ends

By Emma Tucker

THE GOVERNMENT is to postpone a decision on an order for a new tank until the end of the Gulf war, Mr Alan Clark, defence minister, announced yesterday in the House of Commons.

The decision on which tank had won the multi-million pound order to replace the army's ageing Challenger 1 has been postponed to see how competitors for the contract fare in a possible land battle.

The British competitor, the Vickers Challenger 2 which would be manufactured on Tyneside, in north-east England, is competing for the order against the American Abrams M1A2 tank, the German Leopard 2, and the French Leclerc. Both the Challenger 1 and the Abrams are deployed in the Gulf.

Mr Clark said Challenger 2 had met all the thresholds to satisfy the Army and the performance of Challenger 1 had been "very impressive," but added that it would not be prudent to make a decision before a land battle.

Mr Jim Cousins, opposition Labour MP representing a Tyneside constituency, angry at the postponement, accused the government of putting the jobs of many hundreds of people at risk. Equipment for the Vickers tanks would also be made on Tyneside.

Mr Clark rejected the allegation by Mr Cousins that the postponement could take as long as 18 months.

Vickers, which developed the £2m Challenger 2 for the Army, said the delay would hamper efforts to secure export orders for their new tank.

It said one export order for the Challenger 2 had already been secured, but was on hold until the tank was officially selected for the Army.

Vickers said without the endorsement of the Army, selling the tank abroad would be difficult. And Mr Gavin Laird, general secretary of the AEU engineering union, added: "We are disappointed with the decision to postpone. We have no doubt that the Challenger 2 is the best tank on the market."

Japanese business initiative

Profiting from a commitment to R&D and innovation

Stefan Wagstyl cites the example of two very different smaller companies

A common image of the small Japanese company is of the sub-contractor beavering away anonymously for one of the country's large combines, unable to show much initiative for fear of retribution from its most important customer.

While many companies fit the stereotype, many do not. Small Japanese companies do much more innovating than is often acknowledged.

According to a survey carried out in December 1989 by the Ministry for International Trade and Industry, 47 per cent of small and medium-sized companies (those employing fewer than 300) have developed their technology entirely by their own resources; 20 per cent have adopted technology from outside, typically from a large group, and 22 per cent have developed technology jointly with another company.

Small companies do generally spend less on R&D as a proportion of sales than large companies – around 1.6 per cent for companies with capital of less than Y1bn (£4m) against over 3 per cent for those with capital of Y10bn and more. However, some small companies invest far more than the average; according to MITI, 9.6 per cent of small companies spend more than 10 per cent of sales on R&D against 7.1 per cent of large companies.

Toyo Polymer, a chemicals maker, and Namitei, a diversified wire manufacturer, are two companies which have successfully invested in R&D. They share a commitment to new products. But they are also very different – Toyo is a young, fiercely-independent company working at the frontiers of chemicals technology; Namitei, founded in the late 1940s, has found it more of a struggle to diversify from old products to new and did so only with the support of Nippon Steel, its dominant supplier.

Toyo Polymer goes it alone

Yoshiyaki Fukumura, the 55-year-old founder and president of Toyo Polymer, an Osaka-based chemicals company, feels more at home in a laboratory than in the boardroom.

When he founded Toyo 20 years ago, he developed all its products himself, mixing polyurethane resins together to make different kinds of glue. He built the company around his research skills, hiring staff to develop products based on the same core technology but ranging into many markets.

Toyo's first success was with adhesives for specialised uses – including green glue for sticking artificial turf on golf courses. The company developed a range of adhesives for the construction industry – among them solvent-free substances which produce no dangerous fumes.

Fukumura then examined techniques for moulding resins at room temperature to make plastic-like products. His latest innovations include water-absorbent rollers for laser printers and for photographic developing machines and a water-absorbent puff for applying cosmetics.

Fukumura acknowledges that large Japanese chemicals groups are constantly breathing down his neck. But Toyo stays ahead by trying to be first. "It takes three, five or seven years to develop products like ours," he says.

About 30 of Toyo's 100 employees are graduate engineers, a proportion that puts even the largest Japanese companies to shame. The group spends 10 per cent of its Y4bn annual sales revenue on R&D, compared with an average for the chemicals industry of under 5 per cent.

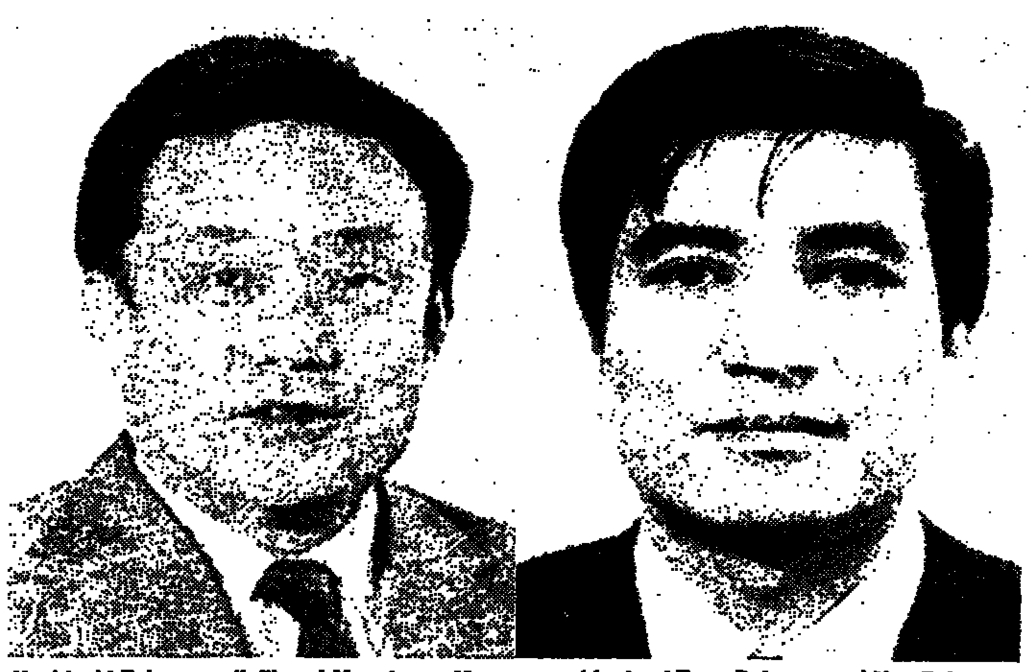
Fukumura's dream is of a company with a network of development laboratories all over Japan. He believes that big companies have advantages in production and in marketing but not in research; small laboratories are more efficient than big ones. He speaks from experience since he worked as an engineer at Toyo Rubber, a medium-sized rubber company, before starting Toyo Polymer at the age of 35.

Fukumura says his model of a successful technology-led company is 3M of the US. He admires 3M's ability to develop a single core technology – coatings – into many products for many markets. Fukumura would like to do the same with resins. "But please don't say we are copying 3M."

Fukumura also believes that to maintain Toyo's drive for new products he has to stay clear of getting too close to any one large customer. Many small and medium-sized Japanese companies like the security of providing for a single dominant customer but Fukumura thinks this is debilitating. "My thinking is don't rely on anyone."

However, he does admit that Toyo benefited from low-interest loans totalling Y1.2bn for capital investment including the building of a factory. These were organised under the aegis of a Ministry of International Trade and Industry scheme for supporting small enterprises. "It's important that small and medium-sized companies receive government support," says Fukumura.

Toyo Polymer is unusual among small companies in one other respect – it has extensive direct links overseas. About 15 per cent of its output is exported. It could be more but Fukumura does not want to take the currency risk. He has signed technology transfer deals with seven foreign partners, mostly in East Asia. It is time, he says, for a Japanese contribution to the global development of chemicals. He intends to be a part of it.



Yoshiyaki Fukumura (left) and Masatsugu Murao: presidents of Toyo Polymer and Namitei

Namitei gets help from its friends

When Masatsugu Murao and his three brothers tried to think of new products to save their ailing wire-making business six years ago, they failed to come up with anything.

So they sent out hundreds of cold shot letters to companies they judged to be potential customers. They introduced Namitei, their Osaka-based company, and invited suggestions for products which could be made by a metal parts company. A few months later a wholesaling company in Tokyo responded to their appeal – and asked if the company could manufacture steel tubing for sheathing an undersea optical-fibre cable which was to be laid across the Pacific.

The brothers had little idea how to make such a sheath, which would have to be produced in 55 kilometre-long kink-free strips. But fearful of losing a chance to secure the future of Namitei and its 50 employees, they said yes and then set about developing the technology.

"It cost us Y20m. That may not sound like very much but for our company it was a great risk," says Murao, who is 48 and the company president.

But Namitei had little choice. If it had turned down the contract, the customer could have gone to any one of a score of rivals in the metal-working district of Osaka where the company is based. The workshops are crammed tightly together, their grey corrugated-iron roofs almost touching.

The client did nothing to help Namitei, beyond providing specifications. However, Namitei was able to call on the help of Nippon Steel, Japan's biggest steelmaker and the supplier of 100 per cent of Namitei's metal. Nippon Steel co-operated in devising special steel for the undersea sheath, offering advice and seconding two engineers for long spells to Namitei.

Japan's small companies often rely on such ties with large groups, though links with dominant customers are more usual than with suppliers. But Nippon Steel had a particular reason for supporting Namitei – Murao's father, who founded the company after the Second World War and ran it until his death in 1984, had been friends with Hiroshi Saito, who had once been Nippon Steel's branch manager in Osaka before he rose to become the company's president. He officiated at the weddings of two of Murao's brothers. Such friendships matter a lot in Japan.

With Nippon Steel's aid, Namitei successfully developed the cable sheath. The first contract was followed by another and the company is now eyeing a third. New products, mainly cable sheathing, now account for a quarter of its Y2bn annual turnover.

The contract has also brought unexpected gains. Namitei found it could not clean the cable by the traditional process of dipping it through a bath of solvents because this would have been too slow and because workers complained about the fumes. So the company devised a high-pressure spray-gun to shoot cleaning agents at the sheath as it passed through an air-tight box. The system was so successful that Namitei is selling the equipment to other companies – including semi-conductor manufacturers.

Meanwhile, Namitei has not stopped developing new products for its traditional customers – which include car-makers and construction materials companies. It has, for example, recently developed a nut which screws on and locks so it cannot be removed. But these products differ little from those of competitors. It is the cable sheathing which has transformed Namitei.

Murao says: "Many small companies like ours are looking for a chance to jump into a new field. If they don't they may not survive. Some go bankrupt and some just stop operating."

Novel applications for existing generic technologies

Guy de Jonquières on Suzuki Sogyo's diverse range of products

To survive, says Tsuyoshi Suzuki, 41-year-old president of Suzuki Sogyo, a family company in Shizuoka, an hour's train-ride from Tokyo, "a small company must have unique features. We seek them in unique technologies."

The formula's success is borne out by the company's 300 patents and remarkably diverse range of products. These include a system for printing images on almost any hard surface; a non-stick silicon gel, widely used in sports shoes; and a non-absorbent deodorising agent with applications from air-conditioners to underclothes.

The company also supplies easy-to-assemble tents and marquees. These are one of the few items stemming from its origins in 1948, when it was set up by Suzuki's father to make rubber, plastic and canvas products.

Suzuki Sogyo's astute diversification strategy – which has enabled it to grow into a company with 170 employees and sales this year of Y10bn – owes much to an emphasis on individualism and personal initiative unusual in Japan.

Many of its products are the inspiration of one man, Motoyasu Nakanishi, whose special talent is thinking up novel applications for existing generic technologies. He joined Suzuki Sogyo from his own engineering company in 1974 and now heads a 20-member R&D team.

Whenever the company launches a product, it sets up a new, semi-autonomous, division – there are five at present. All employees are invited to suggest an annual business plan for the company and get regular performance assessments from the board, which spends an hour a month discussing career development with each member of staff.

Good performers receive bonuses of up to Y1.5m a year – and even laggards get a token Y150,000. Staff who acquire extra technical qualifications are paid special allowances.

Unlike many small Japanese companies, Suzuki Sogyo keeps the technical specifications of its products secret from its customers, which include Toyota and Hitachi. It does little manufacturing, relying on subcontractors in Japan and licensing deals abroad.

Its printing system has 25 customers in seven foreign countries, and it has set up a US subsidiary to market its silicon gel. Tsuyoshi Suzuki is keen to internationalise further and recently hired his first foreign employees, a Canadian man and an American woman.

Suzuki sees three main challenges ahead. One is the familiar problem of recruitment in a tight labour market. The company is currently building a new set of offices, chiefly to offer more congenial working conditions to the qualified staff it wants to attract.

The second is devising an innovation strategy to put in place when the prolific Nakanishi retires. Since he is only 52, this is not an urgent priority, but it is closely connected with the third challenge – how big the company should become.

"We do not know if rapid expansion is the right solution in today's economy," says Suzuki. "Do we need all the trouble of managing lots of people and factories, or should we stick to doing business from the telephones on our desks?"

ARTS

TELEVISION

Shrinks, jingoism and juries

If you agree with Sir Peter Medawar's assertion that psychoanalysis is "the most stupendous confidence trick of the 20th century" (which, *as far as I* am concerned, is not to belittle the benefits of a sympathetic ear, rather to reject the notion that a black leather couch, a lot of claptrap about dreams, and some very fat fees constitute a science) then a sitcom on the subject of *Shrinks* sounds like a good idea. However, the opening episode of this ITV series seemed *a* little heavy handed in its ironies. It began well enough with the estranged but still besotted wife of the most handsome trick-cyclist falling and breaking her arm while climbing the ivy to his balcony. The trouble was that every other strand in the *Hill Street* style multicore plot relied on the same gag: that the cobbler's children have holes in their shoes. Opening programmes are notoriously difficult; perhaps subsequent episodes will introduce a *broader range of jokes.*

★

Bad sight of the week came in the news bulletins showing the bodies being removed from the Baghdad bunker/shelter with all the accompanying wailing and tearing of hair which seems de rigueur among Iraqis. That so many civilians should have been killed was bad enough without such embarrassing loss of control among the survivors; the indignity of all that weeping and gnashing of teeth contrasted sadly with the peculiar dignity of the dead. The Alice In Wonderland quality of the war was shown up strongly by the reactions of the Americans taking the news conferences who insisted that the building was a legitimate military target, but nevertheless came close to apologising for killing civilians. Never at any stage did they snarl "What about all those Scud missals lobbed into Israel, they're supposed to hit only people wearing khaki are they?"

★

Second worst sight of the week was the smaller British newspapers on the day after those television news reports, ranting about broadcasters being "disloyal" and "acting as a propaganda tool for Saddam Hussein". If television did abandon its present policy of showing as accurate a representation as possible of what is happening and devoted itself instead to mindless jingoism of the tabloid variety ("Knit a willy warmer for our boys in the Gulf") *then* we might be in trouble because those who do not read broadsheet newspapers – *most of the population* – would have virtually no way of estimating the effects of a war being fought in their name. Those arguing in favour of suppressing pictures of the effects of allied attacks are suffering from a classic example of Whitehouse Syndrome: the belief that you alone have the strength to see through and withstand *what is put before* you while everybody else will be seduced, hoodwinked and corrupted.

★

Have you seen the animated cartoon commercial for the Post Office in which Les Dawson does the voices of the gossiping women? One of the services it is trying to promote is the processing of your snaps, and one woman tells the other that she saw an acquaintance in the Post Office getting 'is pictures enveloped. "E 'as one *of them paranoid cameras*", she explains. But if 'e 'ad, 'e wouldn't need to go anywhere to get 'is pictures enveloped, would 'e, because the 'ole point of paranoid cameras is that the pictures envelop one at a time in your 'and. Silly ol' Post Office.

★

Readers will be relieved to learn that the Broadcasting Standards Council is finally in operation. Complaints Bulletin No.1 delivers judgements on eight complaints, starting with the BBC2 programme *The Mary Whitehouse Experience* which was accused of using bad language between 9.00 and 9.30pm. If memory serves, the offending word must have been "wanker" and it will no doubt take an immense weight off your mind to learn that although as many as three of Britain's 50 million viewers wrote in on this matter, the eight members of the BSC *(Lord Rees-Mogg, two clergy*men, two doctors, a black lady, Richard Baker, and someone called Alf Dubs) sitting in solemn session have concluded that you may be allowed to hear the word after nine o'clock without undue danger to your eternal soul or indeed your ear drums.

Here is another of their findings *in full:* "Mr Taylor of Sunbury-on-Thames complained of the appearance of obscene graffiti in an item about business failures transmitted in the *Six O'Clock News* on BBC1 on January 2, 1991. The Council's Complaints Committee watched a recording of the item. The words complained of appeared at the edge of a sign carrying instructions to new claimants outside a Department of Employment office. The sign itself was on the screen for a very brief period *and the committee did not* find the words easy to detect on their first screening. The Council accepted the Committee's *recommendation that the com*plaint should not be upheld.

In fact not a single complaint has been upheld, presumably because attention has not yet been turned to really serious matters such as the use of the words "bloomers" and "bosom" (both heard recently in peak time programmes) and the continuing scandal of animals appearing stark naked in Mr Attenborough's wildlife programmes. It is to be hoped that these ludicrous busybodies – whoops, sorry, selfless and dedicated people, are all being paid big fat salaries for this farcical rigmarole ... er, that is to say this extraordinary public service.

★

As BBC1's *Question Time* wanes Channel 4's *A Week In Politics – Late Sitting* waxes. They are different sorts of programme, of course, the BBC1 *series involving* members of the public, and C4's being a studio talk show. But each provides a weekly political discus*sion (both on Thursdays) and* recently the most interesting have all been in *A Week In Politics*. Last week's, with Tony Benn and Enoch Powell, among others, discussing patriotism would have been fascinating at any time, but also happened to be one of the best of the week's many programmes commenting on the Gulf.

★

Hill Street Blues has an awful lot to answer for. Until it came along crime series seemed to be going *the way of Westerns*, but since *HSB's* enormous success (in prizes and critical acclaim more than record ratings, though it was certainly not unpopular) the number of series devoted to crime – detective series, police series and law series – has gone up and up, to the point where television seems obsessively preoc*cupied with the subject.* And still they come. Friday brought *The Trials Of Rosie O'Neill*, yet another such series to fill yet *another of ITV's nine o'clock* keystone slots. Sharon Gless, familiar as a police detective in *Cagney And Lacey*, now plays a public defence lawyer who, in addition to having all the right-on attitudes of *thirtysomething*, also has conversations such as this with her rich WASP mother:

"These are the kind of people you represent?"

"Yes mother".

"This isn't law, it's street cleaning." Which allows us all to feel morally superior. How original it would be, and how startlingly adult by television's standards, if the Americans could manage a law series reflecting the perceptions and anxieties of Tom Wolfe's *Bonfire Of The Vanities* instead of yet another series reflecting the oh-so-respectable liberalism of those whom Wolfe satirised in "Radical Chic".

Christopher Dunkley

Elizabeth Garvie and Yvonne Bryceland in 'Shrinks'

Waterland

SHAW THEATRE

This two-act play, as the programme says, "is set in London in 1982 and in the Cambridgeshire Fens between 1874 and 1943." Time present is interleaved with multiple lay*ers of time past; and the impor*tance of time past, of history, is questioned at the outset by a 16-year-old schoolboy, Price, who proclaims to his history master "The only important thing about history is that probably it's got to the point where it's about to end."

As the story – the story of the history master, Tom Crick – winds with an ever greater sense of finality to its close, that line comes back with doubled irony. Layer upon layer of time past all hang heavy on Crick, all pushing towards this present crisis. He is just a history teacher, but he is also the last survivor of a family and its secrets. At times, *Waterland*'s way of making repeated inquiries back into the past as an avoidance of the present recalls *Flaubert's Parrot*; but at times it feels as if Ivy Compton-Burnett were telling the story of the Atreidae.

In fact, *Waterland* is adapted from Graham Swift's 1983 novel of the same name. Richard Hogger and the Eastern Angles Theatre Company adapted it three years ago and began touring it with great success in 1989. Seeing the play for the first time, and having not yet read the novel, I found that *Waterland* the play is effective in the more recent history – the scenes remembered by the teacher himself. The brief excursions into more *distant family ancestry*, however, misfire.

Act One, after a taut and multi-threaded opening, proves nebulous, though interestingly so. In Act Two, however, everything grows more and more taut, and there are three scenes – a village abortion; Crick's explaining to his brother Dick the story of his birth; *the aftermath of a child* abduction – that are riveting yet nearly unbearable, scenes in which I thrashed around in sympathetic misery. (A pity about the schoolboys' rebellion, though – all too *Dead Poets' Society*, and too easy a tug on the heartstrings.)

Hettie Macdonald's direction holds the play's several reins firmly together. The cast of six plays some dozen roles, and there are some excellent performances – notably Mark Bannister's central performance, gradually deepening into greater anguish, as Tom Crick, with striking support from Neil Caple as his simpleton brother Dick and other characters, and Carlene Reed as, among other parts, their girlfriend Helen. They all achieve Cambridgeshire/Norfolk accents with near-mastery.

Alastair Macaulay

Alastair Muir

Debbie Woolley and Sue Broadway

Dave Allen

STRAND THEATRE

Dave Allen's one man show at the Strand starts with a salvo of political jokes, one of the best of which is about all those Saudis singing "Onward, Christian Soldiers!" Allen also tells the story of John Major: "He was born into a circus family; at the age of 16, he ran away and joined a bank." Of the prime minister's father, he asks with impeccable logic: "What in the name of Christ is a *failed* trapeze artist?"

The show does not go on like that. For the *most part of three hours it is a monologue about* a man growing older – Allen is approaching 55 – and the difficulties of communication between parents and children seen from both sides of the age gap. It proceeds by taking a particular idea, then playing with if for about 20 minutes. He is a consummate professional who can play several audiences at once. Some of his scenes are plain vulgar: others might be regarded as blasphemous; a few are very clever. I shall stick to those that appealed to me.

"I don't like banks," says Allen, clearly striking a popular chord. Moreover, banks don't like us any more. That is why they have all those dispensers outside, trying to keep the people out and intimidating those who can't *remember their pin numbers. Although* 92 per cent of customers (Allen's figure) go to the bank between 12.30 and 2 pm, that is when the bulk of the tellers take their lunch break. Judging by the audience reaction, the banks have something to answer for.

Allen does not like queues either, whether at the bank, the new-style Post Office or at the supermarket check-outs. He thinks that there should be special queues for those who don't speak English, for geriatrics and grannies and for people who know "f-all about anything". Being an Irishman, Allen is not a racist. One shudders to think what a comparable English comic might have done with the same idea.

There is a brilliant scene about the telephone. In the old days it stood on a plinth in the hall. Only the altar candles were missing to provide its full glory. Above all, it was used only by adults. No longer: nowadays nobody telephones a parent at home any more because it is quicker to reach him by letter. "The telephone," says Allen, "has done more to damage the relationship between parents and children than anything else."

Alastair Muir

Actually, it's not just the telephone: it's also the constant switching of channels on the television, the eating direct from the fridge and the way teenage children tend to grunt rather than speak. Allen goes through all that. He claims that the children think that the fridge is sell-filling. Then he switches to the child's side. "If you fall out of that tree and break your leg, don't come running to me," he has his mother say.

Some people will object to Allen's endless and repetitive swearing, but it is an essential part of the act. It expresses the frustration of a middle-aged man trying to be civilised against the odds. Swearing apart, Allen performs with great charm, *is remarkably relaxed, has a lovely voice* and some splendid facial grimaces that must reach to the gallery. Practically the only joke that the audience failed to get was the one about the Saudis singing "Onward, Christian Soldiers!"

Malcolm Rutherford

Measure for Measure

ODEON THEATRE DE L'EUROPE, PARIS

How well does Shakespeare travel? At the end of last year, Peter Zadek and the company of the Vienna Burgtheater visited Paris with a thrilling German interpretation of *The Merchant of Venice*. Now Paris has its own, home-grown Zadek Shakespeare: *Measure for Measure* in a fluent new translation by Jean-Michel Deprats. The *key Zadek prop, the exile's* suitcase, gets in each time.

Both plays turn on justice versus mercy, the individual caught in the grey area between natural and legal authority. In each case, Zadek dramatises a kind of jigsaw puzzle morality: men and women acting according to their ideals, sliding, making mistakes, trying to stick the pieces together again.

The Merchant production worked the theme through with money-grubbing Yuppies, *and was a brilliantly sustained* critique of contemporary values. But Zadek has yet to turn the moral ambiguity of *Measure for Measure* to dramatic effect; his new production is limp, lacking a coherent vision to pull together its many strands. This is not a play to provide answers, but here even its tensions – error and correction, ignorance and self-awareness – fail to inspire.

One way is to play *Measure for Measure* as myth. With three folk plots intermingled – *disguised ruler, corrupt judge*, bed trick – it has something in common with the late romances and lends itself to stylisation. *Zadek* goes for the opposite challenge: a psychological reading which confronts head-on the problem most of us have with the play – that the three central characters are very hard to like, and yet demand our allegiance if a "realistic" portrayal is to come off. Zadek's star turn is to cast Isabelle Huppert as Isabella and thus capture for the audience all the glamour that Isabella feels for herself as young girl turned nun. Here *she changes into her habit on* stage and sneaks a look in a hidden mirror. Drunk on the romance of the role, she drifts half-asleep, unable to engage with the world yet dimly aware of her worldly attraction. Interceding for her condemned brother, the line "Hark, how I'll bribe you" works like an electric shock on Angelo, though all she means is that she'll pray.

Ms Huppert grows beautifully into the role of secular Isabella, just as Isabella does *herself. A panic attack when* Angelo tries to buy her she then relaxes into facing her crisis, sips champagne with her friar, starts to laugh, literally lets her hair down. Here is an Isabella who matures before our eyes: a careful, serious performance.

The shame is that her eloquent dogmatism has nothing to fight against. In *Measure for Measure* boldness is all: men play at being God. But Andre Marcon's Angelo and François Marthouret's Duke fail to compel – *either as power addicts* or as rigid individualists who, like Isabella, need to unwind into the real world.

The rest of the cast mill around in an indistinct mass, a motley crew of nuns and pimps and petty officials who suggest ill-at-ease actors rather than vulnerable humanity. Deprat's precise and poetic translation is muttered as a cross between rambling prose and stiff couplet. This is Zadek's first French language production and a sense of wandering across unfamiliar territory seems to have infected the cast.

And *yet many inventive* Zadek touches are here. Johannes Grutzke's massive backcloths unroll to reflect the change in tone from gloom to light – a wintry mountain scene with snow falling, then green slopes and a babbling brook. When Pompey (Roland Amstutz) swaps jobs from bawd to executioner, the prison echoes the brothel: skeletons instead of cardboard female nudes; a "live" model in black suspenders for Pompey to "practice" on; the prisoner *Barnadine (Zazie de Paris)* a transvestite cabaret artist adorned with spider, snake and spiky red wig.

Barnadine emerges from a trap under the auditorium, preceded by the gruesome contents of his cell being thrown among the audience. All the theatre is a stage – Lucio (Philippe Clevenot) is a strolling player in the aisles; characters pop up from every corner – but what a mistake to keep the auditorium lights full on throughout. Instead of drawing *us into the action, it tells of* unreadiness, lack of focus, a rehearsal rather than the real thing. It's a misjudgement which reflects an uncertain evening.

Jackie Wullschlager

Fabulous Beasts

RIVERSIDE STUDIOS

To the average theatre-goer the term New Circus is likely to conjure legions of crazy Frenchmen wielding chainsaws and giving safety officers the runaround. Those were the images with which Archaos pierced the national consciousness a couple of years ago, enabling them to draw larger numbers than ever before to the conclusion that New Circus is a legitimate cousin to theatre.

Ra-Ra Zoo have for several of years been pushing the same message on a smaller scale, using rather different tactics. Where Archaos' performance vocabulary comes from film and rock music, Ra-Ra Zoo draws from cabaret, with an on-stage band providing jazzily offbeat variations on the sound effects of conventional circus. They have even employed a stand-up comic, Roy Hutchins, as director.

Billed as a circus fantasia in two parts, this engaging piece *has no trouble establishing its* theatre credentials: the skills maybe patchy but they are persuasively marshalled into dramatic sequences, such as the *Come Dancing* tango by a harassed man and two jealous women in shiny tutus which unfolds into a graceful and gravity-defying pirouette a trois. It is immediately fol*lowed by a routine of clowning* incompetence by two ugly sisters, one of whom ends up, with a throwaway humour, juggling a hat, an umbrella and a milk bottle.

The second half strikes a rather more coherent note, with a bestiary of images culled from the jungle, the chicken coop or, in a memorable opening sketch, the rolling lawns of the English country house where a capricious centaur statue rubs flanks with a tublike topiary, which is home to an irritating tweeting bird.

This is pure pantomime, down to the dissection, front from back, of the centaur and the appearance of a speciality puppet turn of dancing swans. A loftier mood is created with a synchronised torch dance and the weird and wonderful contortions of trapeze-work apparently inspired by rain-forests of slothful and contrary beasts.

Outstanding among the performers is Sue Broadway, an Australian who defected from *Circus Oz to co-found Ra-Ra* Zoo back in 1984. Juggler, trapeze artist and diabolo devil, she has a comic persona which runs like a thread through the show, pulling together otherwise dislocated sketches. Other companies may cast a bigger and stronger spell, but only a cynic could deny the continuing charm of Ra-Ra Zoo.

Claire Armitstead

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Riccardo Chailly conducts Royal Concertgebouw Orchestra in music by Escher, Mozart and Schumann, also tomorrow, Fri and Sun. Sat: Edo de Waart conducts Netherlands *Radio Orchestra in concert* performance of Die Walküre, with soloists Jeannine Altmeyer, James Morris, Klaus König and Linda Finnie (718345)
Beurs van Berlage 20.15 Lukas Foss conducts Netherlands Philharmonic Orchestra in music by Ives, Tchaikovsky and Foss, with Miriam Fried soloist in Prokofiev's Second Violin Concerto. Also tomorrow (270466)

■ BERLIN

MUSIC
Deutsche Oper 19.30 Günter Kramer's new production of Die Entführung aus dem Serail, with Luba Orgonasova as Constanze. *Tomorrow:* Figaro (3410 249)
Komische Oper 19.30 Rolf Reuter conducts Der Freischütz. Tomorrow: La bohème (2292 555)
Philharmonie Kammermusiksaal 20.00 James Levine conducts Berlin Philharmonic Orchestra in choral works by Haydn and Mozart, with soloists Sylvia McNair, *Dolores* Ziegler, Hans Peter Blochwitz and Andreas Schmidt. Also tomorrow, Fri and Sat (2614 383)
DANCE
Staatsoper unter den Linden 19.30 Giselle (2004 762)
THEATRE
Schaubuhne 19.30 Peter Stein's production of The Cherry Orchard, also Sat (890023)
Volksbühne 19.30 Schiller's Die Rauber (2082 748)

■ BOLOGNA

Teatro Communale 20.30 Un ballo in maschera with Aprile Millo as Amelia, also Sat. Fri and Sun: Claus Peter Flor conducts all-Beethoven programme (529999)

■ COLOGNE

Philharmonie 20.00 Alban Berg Quartet plays chamber music by Bartok, also Fri (2801)
Opernhaus 20.00 *Janis Martin sings* title role in Elektra, also Sat (221 8400)

■ GENEVA

Grand Théâtre 20.00 Tony Palmer's staging of Peter Grimes conducted by Bruno Bartoletti, with Jan Blinkhof as Grimes and Ashley *Putnam as Ellen. Also Sat (212311)*

■ HAMBURG

Staatsoper 19.00 Lady Macbeth of Mtsensk conducted *by Donald* Runnicles, with cast led by Olivia Stapp, also Sat. Tomorrow and Sun: Karita Mattila sings Tatiana in Eugene Onegin (351555)
Deutsches Schauspielhaus *19.30* Dostoyevsky's The Idiot, also *tomorrow (248713)*

■ LONDON

DANCE
Covent Garden 19.30 Sylvie Guillem dances Kenneth MacMillan's Manon, music by Massenet, also Fri (240 1066)
MUSIC
Coliseum 19.00 Nancy Gustafson sings title role in David Pountney's ENO staging of Rusalka. Tomorrow and Sat: The Turn of the Screw (836 3161)
Royal Festival Hall 19.30 Colin Davis conducts BBC Symphony Orchestra in Tippett's Triple Concerto and Schubert's Mass No 6. Tomorrow: Yuri Temirkanov conducts Royal Philharmonic (928 8800)
Queen Elizabeth Hall 19.00 Opera Factory production of Le nozze di Figaro, also Fri (928 8800)
THEATRE
This week's shows include The *King and I starring Susan* Hampshire (Sadler's Wells), Pinter's The Homecoming directed by Peter Hall (Comedy), Joe Orton's What the Butler Saw *(Wyndham's) and the Redgrave* trio as Chekhov's Three Sisters (Queens). Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MUNICH

MUSIC
Staatsoper *16.00 Wolfgang* Sawallisch conducts Siegfried, with Rene Kollo in title role, James Morris as the Wanderer and Hildegard Behrens as Brünnhilde. *Tomorrow: Figaro with Felicity Lott* and Thomas Allen (221316)
Philharmonie 20.00 Martha Argerich plays Beethoven's Third Piano Concerto with Munich Philharmonic under Hiroshi Wakasugi (48098 614)

■ NEW YORK

MUSIC
Alice Tully Hall, Lincoln Center 20.00 Cecilia Bartoli gives her New York *recital debut accompanied* by Martin Katz, with songs and arias by Rossini, Bellini, Mozart, Pergolesi, Vivaldi and others (874 2424)
Carnegie Hall 20.00 Piano recital by Emanuel Ax, with music by Beethoven, Liadov, Schubert, Webern and Liszt. Tomorrow: Boulez conducts Ensemble InterContemporain. Sat: Cleveland Orchestra (247 7800)
Metropolitan Opera 20.00 Susan Dunn and Luciano Pavarotti in Luisa Miller conducted by Nello Santi, also Sat (362 6000)
DANCE
New York State Theatre 20.00 New York City Ballet programme includes Balanchine's La Source and La Valse (870 5570)
THEATRE
This week's shows include Fiddler on the Roof with the Israeli actor Topol as Tevye (Gershwin), Stephen Sondheim's latest musical Assassins (Playwrights Horizons) and Six Degrees of Separation, new play by John Guare (Lincoln Center). Ticketron (246 0102) answers inquiries and sells tickets

■ PARIS

MUSIC
Opéra Comique 19.30 Patrick Fournillier *conducts* Bizet's Pearl Fishers, also Fri *(4286 8883)*
Théâtre des Champs-Elysées 20.30 Julia Migenes Show. Tomorrow: all-American programme with Orchestre National de France conducted by Zoltan Pesko (4720 3637)
THEATRE
Comédie Française 20.30 Le Barbier de Seville by Beaumarchais. Tomorrow: Le Mariage de Figaro (4366 4360)
Théâtre des Bouffes du Nord *20.30* Peter Brook's production of The tempest. Runs till March 2 (4607 3450)

■ PRAGUE

National Theatre 19.00 The Bartered Bride. Fri and Sat: Dvorak's The Devil and Kate
Smetana Theatre 19.00 Cosi fan *tutte. Tomorrow: Martinu's* The Miracle of Our Lady
Smetana Hall 20.00 Petr Altrichter conducts Prague Symphony Orchestra in music by Prokofiev and Mozart. *Fri:* Frantisek Vajnar conducts film music by Prokofiev and others (232 8292)

■ STOCKHOLM

Konserthus 19.30 Andrew Davis conducts Stockholm Philharmonic Orchestra in Mahler's Sixth Symphony. Also tomorrow (244130)

■ STRASBOURG

Palais des Congres 20.30 Theodor Guschlbauer conducts Bruckner's Fifth Symphony, also tomorrow (8837 6777)

■ UTRECHT

Vredenburg 20.15 National Philharmonic Orchestra plays Beethoven's *Choral Fantasia* and Constant Lambert's Rio Grande. Sun: Bernhard Klee conducts Netherlands Radio Chamber Orchestra in Beethoven and Wienlawski (314544)

■ VIENNA

MUSIC
Volksoper 19.00 Der Bettelstudent *(51444 3318)*
Musikverein 19.30 Bach and Mozart choral concert with the Salzburg Baroque Ensemble and Arnold Schoenberg Choir. Sun: Nikolaus Harnoncourt conducts Mozart programme with Concentus Musicus (505 8190)
THEATRE
Akademietheater 19.30 Rolf Hochhuth's Sommer 14 directed *by Robert David MacDonald (51444* 2218)

■ WASHINGTON

Kennedy Center Concert Hall 20.00 Claudio Abbado conducts Vienna Philharmonic Orchestra in music by Mozart and Bruckner. Tomorrow, Fri and Sat: La Damnation de Faust with National Symphony Orchestra (467 4600)

■ ZURICH

Opernhaus 19.30 Nikolaus Harnoncourt conducts Der Zigeunerbaron. Tomorrow: Elektra (251 0909)
Tonhalle 20.15 Maurice André plays trumpet concertos with Zurich Chamber Orchestra conducted by Edmond de Stoutz (252 1737)
Schauspielhaus 19.30 Ibsen's An Enemy of the People, also tomorrow (251 1111)

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Wednesday February 20 1991

When to cease fire

THE FINE print of the Soviet peace offer to Iraq has not, at the time of writing, been made public. President Bush and Prime Minister Major have merely said it falls well short of the requirements of the relevant UN resolutions. The interpretations of the Iraqi announcement last Friday apparently accepting resolution 660, but adding clearly unacceptable conditions, are many and contradictory.

Nevertheless the coalition arrayed against Iraq faces a momentous decision, in which time is not necessarily on its side. This is whether to launch a land war against Iraq to free Kuwait, or to give diplomacy another chance, thus saving many lives. The choice is between the defeat in battle of Saddam Hussein, now certainly achievable but at considerable human cost, and letting him survive, weakened and perhaps more vulnerable to an internal coup d'état.

There is no reason to suppose that President Bush and Mr Major were hasty in their negative reaction to the Soviet initiative, nor to suspect, at this stage, that Moscow is playing a devious game in promoting it. The bottom line has not shifted; it is that Iraq must withdraw unconditionally from Kuwait. By not doing this, Saddam Hussein has already subjected his country to a terrible bombardment and it is possible that the Iraqi president is willing to pull the temple down on his own head. Martyrdom may be what he wants, though everything in his record suggests power matters more. Either way, the ball remains in his court, as it has been since August 2.

Great strains

But it takes two to play and the strains on the coalition, especially in continental Europe, will be great if the land war is launched with the tantalising prospect of a ceasefire still in the air. It also needs to be remembered that post-war negotiations in the Middle East, whether over arms control or the Palestinians, will require an effective role for Moscow, the framer of the latest peace effort, as well as for Washington.

Moreover, a land war, once begun, will not easily be stopped. It will have a momentum of its own, as well as the inevitable chaos of the battlefield. It will, as a Desert Rat commander said yesterday, be brutal. It may be true that even a weakened Saddam Hussein will remain a great threat to regional peace. But it is equally self-evident that a fully-fledged war will not make the arrangement of a subsequent peace any easier.

Credible commitment

A ceasefire, however, can only be accepted if Mr Saddam makes a credible commitment to withdraw and is prepared to execute it promptly. The coalition has no reason to trust him, but the heavy probability is that sooner or later he will have to run up the white flag – and then be taken at face value. If it happens now, the US, in particular, will face a dilemma. There are undoubtedly those advising Mr Bush who would see the logical end to the conflict as the complete destruction of the Iraqi military machine and the overthrow of its president. This is a tempting course, which could become irresistible if Mr Saddam unleashed some unspeakable weapon as a desperate last throw. But it cannot be forgotten that the UN resolutions, which form the basis for the existence of the coalition, nowhere call for his removal from power.

It would also be wise, at this delicate moment, not to seek to impose further conditions on Iraq. It would be better to consign all practical and legal issues stemming from the invasion of Kuwait, such as war crimes and reparations and even sanctions, to some time after the conflict has ended. Just because he seeks to link the invasion of Kuwait to every other issue in the Middle East there is no reason for the coalition to do the same.

Understandable revulsion against Iraq's president should not be allowed to cloud the overriding necessity of seeking longer-term stability in the region. This has to be the essence of western and Arab policy without or even with Saddam Hussein. The only way he can ensure for himself even a minimal role in that process is by starting the withdrawal from Kuwait immediately.

Facing up to the poll tax

THE COMMUNITY charge is a failed tax. It should be abolished. A variety of taxes and charges should be put in its place. This would provide local authorities with a spread of sources of revenue. Ideally, there should be a local income tax, a rate based on the capital value of properties, and, possibly, an expanded system of charges for specified services (with rebates for those who cannot afford them). The precise mix cannot be devised in isolation: the structure and functions of local government should be re-assessed at the same time as new methods of raising the finance are devised.

No post-war British review of local government has been conducted in the manner set out above. Taxes have been proposed on the assumption that structures will remain constant. Structures and boundaries have been revised without reference to taxation. There is therefore merit in the manner of the government's current review of the poll tax, since all the relevant elements of the equation have been declared open to simultaneous questioning. A public inquiry, and a strong public debate, would be better still, but at least it can be said that the government appears to have the basic methodology right.

Billion-pound bribes

Its difficulty is that it is short of time. The community charge has proved to be so unpopular that even after a series of billion-pound bribes the electorate still declines to accept it. A new scheme for local government finance, with or without restructuring, cannot be put in place before a June election; even October would be too soon to provide time for proper consideration. Worse still, the government is caught between the rock of carrying on with a yet further modified version of the poll tax and the hard place of admitting that the whole idea was a colossal mistake. It is therefore minded to seek a short-term palliative, followed by proposals for the longer term.

One palliative that should be ruled out is the transfer of education expenditure from the books of local authorities to the central budget. The idea is superficially attractive, since it would halve the average community charge. It would also fit in with the scheme to give schools their own budgets, with an increasing number opting out of local authority control. There is, however, a fatal flaw. Central government financing means central control. A large new bureaucracy, comparable with the national health service, would have to be created. This should rule the scheme out of court.

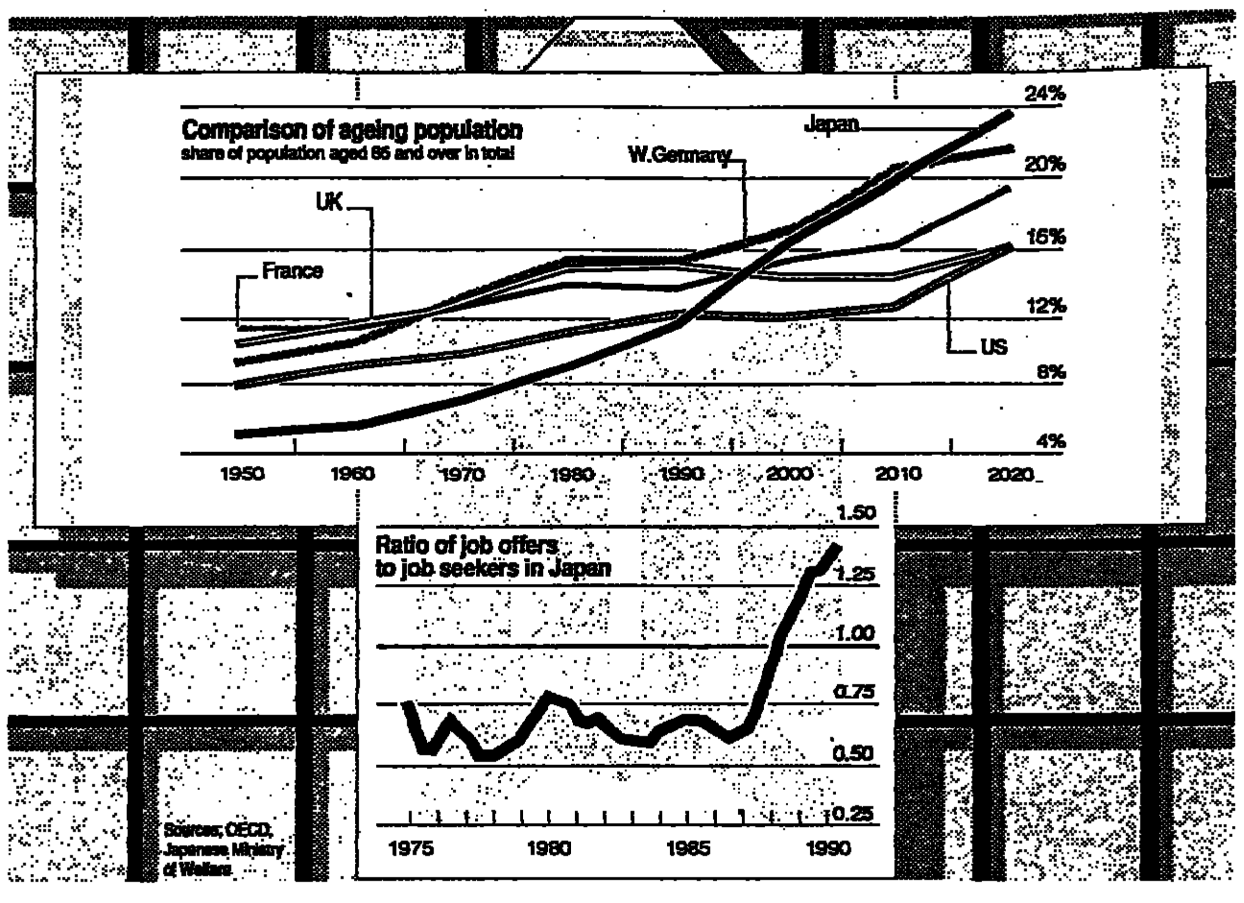
Property tax

As to other proposals, a local income tax would strengthen local accountability by widening the revenue base to include most local voters. Unlike the poll tax, it would not be flat-rate, and therefore regressive. Yet such a tax is not on the agenda of either the Conservatives or the Labour party. It is regarded as a sure election loser. What remains, at least for the immediate future, is a property tax. The easiest quick fix would be to revert to the old rates, and base the tax on the presumed rental value of properties. Since there is no real domestic rental market it would be better to base the new rates on capital values. This would exert a downward pressure on house prices, an additional bonus. At the same time the government would do well to look again at the uniform business rate, which provides a level playing field for companies in all parts of the country, but at the price of denying local authorities an opportunity to raise local taxes on business.

The environment secretary, Mr Michael Heseltine, has floated ideas for abolishing county councils, a simplification that might enhance local government. His notion of elected chief executives, or mayors, may strengthen the fiscal accountability of local authorities. The voters would certainly know whom to blame for high property taxes or charges. As to functions, the government could do worse than adopt the principle of subsidiarity: what need not be done centrally usually ought to be done locally. That would put in reverse the onward march of centralisation that so marked the 1980s. It would be an unintended, but beneficial, legacy of the poll tax.

A labour shortage in Japan is forcing large and small companies to reconsider their employment practices. **Stefan Wagstyl** reports

Economic costs of the human factor



For Japanese companies, which went through the 1970s overcoming oil shocks and the 1980s fighting the rise of the yen, the biggest challenge of the 1990s could be a critical shortage of labour.

Even as companies in North America and Europe are laying workers off, Japanese employers are still fighting for every recruit they can get. There are 140 vacancies for every 100 job-seekers. Highly-prized graduates are whisked away on foreign holidays to prevent them being poached by rival companies. Retired employees are lured back to work with promises of subsidised weekends in luxury resorts. Even teenage part-timers are being courted as never before – Kentucky Fried Chicken Japan offers a trip to Hawaii to anyone who stays five years.

Small companies are going bankrupt through labour shortages – nearly 300 folded last year, up from 51 in 1988. Even the biggest groups are affected – Mr Masashi Kojima, the president of Nippon Telegraph and Telephone, says: "We have the finance, we have the technology but in future we may not have the human resources."

Japan is in the midst of its longest economic expansion since the 1960s. But cyclical factors alone do not explain why Japan is short of labour. Important structural changes are at work, among them a decline in the birth rate, and the rise of wealth, leisure and education.

The solutions will raise controversial issues including the role of women, the employment of the old and the near taboo on immigrant workers. The pressures will be felt far beyond Japan as labour shortages force Japanese companies to continue expanding overseas, taking factories to foreign lands instead of bringing foreigners into Japan.

Curiously, while labour shortages have pushed up wages for part-time and other casual workers, the pay of mainstream company workers has risen by less than the rate of economic growth in the last 10 years.

The systems of job-for-life and promotion-by-seniority encourage staff to stay with a single employer, so markets for particular skills have been slow to develop. For example, pay for software engineers, now in short supply, differs little at large groups such as Matsushita Electric Industrial from the pay of other graduates employed in other areas such as accounting. Employers have fostered loyalty so well that even though job-hopping is increasing, only 3.5 per cent of workers in 1989-90 switched companies.

Some personnel managers think the 1990s could see a growth of western-style schemes for pay and promotion by results, to accommodate a greater sense of individualism among young Japanese. "The spirit of the corporate warriors is dying," says Mr Masahide Tsuji, a manager at Toshiba, the electronics combine.

But others are not so sure. Even as they complain about the collapse of corporate loyalty, some executives are reinforcing it by building ever more luxurious company-owned housing, sports centres and resorts for staff. Such perks are difficult to give up even for the promise of a higher salary. The old employment system will bend a long way before it breaks.

Japan has felt labour shortages before, at those moments during its hyper-rapid industrialisation when the movement of people from farms to factories failed to keep up with economic growth, most recently in the early 1970s. But this time it is different; there are often only old men and women left on the land. Also employers can no longer tap an ever-increasing number of young people entering the workforce. With women having fewer children, the number of 18-year-olds in the population peaked in 1990 at 2m. By 2005 there will be 1.37m.

The shortages of young workers are worst in Tokyo and Osaka. In provincial towns there are still pockets of unemployment, particularly in areas where old industries such as shipbuilding and coal mining have shed workers. City-based companies are trying to exploit this by recruiting in the provinces. Nittsu, a transport group, has started a scheme under which it brings youngsters from the countryside to Tokyo and, after a few years, guarantees to find them jobs near their original homes.

The alternative is to build factories well outside the traditional manufacturing centres. Toyota Motor and Nissan Motor, the car makers, are just two companies investing in Oita, in southern Japan; so is Toshiba.

But the wells of rural labour are fairly shallow – the Ministry of Labour calculates that, even allowing for regional differences, if the economy continues to grow at a rate of 4 per cent a year and no counter-measures are taken, the overall net shortage of workers will increase by more than 500,000 by 1995, 2.6m by 2000 and 9.1m by 2010.

For manufacturers, the most common response has been to increase labour productivity by investing heavily in automation. About one quarter of a recent surge in investment has been directed towards cutting labour costs. Japan has about two-thirds of the world's robots – the total has doubled since 1986 and is expected to double again by 1995.

But there are limits to the effectiveness of automation. Car makers dislike installing too many robots for fear of losing flexibility. Mr Shoichiro Irimajiri, deputy president of Honda Motor, says: "Humans are the most flexible robots."

Moreover, automation cannot always solve shortages of workers in non-production areas such as research and development. Toshiba says it would hire 1,500 instead of 800-1,000 technology graduates a year if only it could find them. Small companies in Ota, a metal-working district of Tokyo, are clubbing together to run a joint hiring campaign for development engineers.

In the 1980s, manufacturers bore the brunt of the pressure on labour costs due to the rise in the yen. Now,

'The spirit of the corporate warriors is dying,' says one manager at Toshiba

through labour shortages, the squeeze is being applied on non-manufacturing companies, which have generally been far less exposed to international competition. The contrast in output per head is striking – twice as high in manufacturing as in services, according to government figures.

Improvements in productivity in services could release people for other work. Service companies are making gains constantly by, for example, installing vending machines to sell everything from toothpaste to travel insurance. Retailers use point-of-sale computers to control stock levels.

But cuts in labour could hit Japan's legendary standards of service. Customers may have to wait longer for deliveries and for repairmen to call. None of this will come easily: attempts to attract customers to low-price minimum-service stores have so far largely failed. Cheap hotels have far more trouble filling their rooms than top-flight resorts.

If patterns of service have to change, so do patterns of employment. Companies are having to rethink their dependence on their traditional source of workers – young men recruited for life and promoted by seniority.

Some personnel managers pin great hopes on easing shortages by keeping more older workers on their books. The retirement age at large Japanese companies is 55 – so there would seem to be plenty of scope for keeping workers another five or even 10 years. But few of these over-55s are currently unemployed – they work instead at small and medium-sized enterprises, often affiliated to their original employer or owned by their families. Some 70 per cent of men aged 60-64 work, as against 54 per cent in the US. So changing retirement rules would mostly help big companies at the expense of small ones.

Women are widely regarded in Japan as the largest potential source of new labour. Contrary to popular belief, the overall proportion of women of working age who have jobs – 50 per cent – is similar to other industrialised countries. The figure for the US is 55 per cent. However, the Japanese figure is boosted by old women working longer than elsewhere – frequently standing behind the counters of family-owned shops. Conversely, larger numbers of women in their late 20s and 30s drop out of work in Japan to have children. The Ministry of Labour is half-heartedly promoting measures to encourage women to stay at work, including better maternity pay and child care. But, as in other affluent countries, many women will continue to leave work to have children.

The real difference between Japan and other countries lies less in the proportion of women working than in the content of female work. Despite the passing of equal opportunities laws in 1985, most companies make only token efforts to recruit women on the same basis as men. Even women admitted into previously males-only management streams often feel they are treated as second-class citizens. Women's wages are about 50 per cent of men's, compared with 65 per cent in the UK.

The lack of male recruits is forcing new companies, including many foreign-owned groups, to give women responsible posts. But in conservative organisations, progress is slow, given the innate belief of many male managers that a woman's job in the office is to run errands. Japan has some of the world's most highly-qualified tea ladies – on a recent visit to Mitsubishi Bank, I was offered a drink by a female graduate mangement trainee who spoke four languages.

Other industrialised countries have generally responded to labour shortages by admitting foreign labour. But Japanese bristle at the idea, saying foreigners could never feel comfortable living in such a homogenous culture. Far from relaxing the rules, Japan last year tightened immigration law. Two-thirds of the estimated 200,000 foreign workers in Japan are thought to be illegal.

There is pressure for change from small companies, desperate for labour, and from large groups, including Daiei, a supermarket chain, which wanted to hire foreign workers for building work. The demands are greatest in construction and other industries where work is dirty, physically demanding or dangerous. Employers go to great lengths to improve the image of such jobs by providing, for example, miniature excavators to take the drudge out of digging even a small hole in the road.

But it is not enough. Mr Johsen Takahashi, an economist, says: "People in offices will never go back to getting their hands dirty." Japan is slowly sanctioning schemes for admitting more foreign workers, albeit as "trainees" who are required to combine work with studies. A former senior official of the Ministry of International Trade and Industry says he could see 1m foreign workers in Japan in 10 years.

By then many more foreigners will also be working for Japanese companies overseas. Miti estimates that Japanese companies have already hired some 2m people abroad, many of them in other Asian countries, where labour costs are as little as 5 per cent of Japan's. This figure could rise to 10m and more – Miti estimates Japanese industry has only 5 per cent of its production overseas compared with 20 per cent for the US.

So far, the main investors have been the large manufacturing giants, but their suppliers are following close behind – for example, Nippondenso, the car parts maker related to Toyota Motor, has plants in nine Asian countries. Japan is also importing more services, with, for example, companies commissioning software from the US, Singapore and Taiwan.

Yet there remain jobs which cannot be exported. If people cannot be found to fill them, the economy will eventually slow to a crawl. Japan's legendary economic energy will have been stifled by its social rigidities. On the other hand, Japanese companies have shown before that they can force the pace of change. The chances are they will do so again.

OBSERVER

Market hopes undimmed

■ Abel Aganbegyan, head of the Soviet economic reform task force, knows as much about the difficulties facing economic perestroika as anyone. Last autumn President Gorbachev handed him the impossible task of stitching together an acceptable compromise reform plan from the rival programmes of Stanislav Shatalin and the then Prime Minister Nikolai Ryzhkov.

The craggy, Georgian-born economist retains an undimmed belief that the Soviet Union has no alternative to pushing forward to a market system "without adjectives". Stopping off in London on his way back to Moscow from Boston yesterday, he said he's convinced "the big steps which are needed can be taken within two years."

He even had a good word for new Prime Minister Valentin Pavlov whose idea of monetary reform was to confiscate 50 and 100 rouble notes, and who has now moved on to raising prices in a way which will cause least pain to the millions of citizens already hovering on the breadline.

"Up till now we only really talked about reform. Pavlov is actually doing something, and that is the symbolic importance of what is happening," Aganbegyan said – although clearly unconvinced that the "conservative reform" strategy will set the ailing economy back on track.

His faith in markets extends to dabbling in a little enterprise himself. Last year he merged his own Moscow-based consultancy firm called Link with Boston-based Bain and Company to form Bain Link, a joint-venture to help western companies to identify potential Soviet partners.

While deeply aware that western confidence in Soviet reform prospects has been severely dented, and not only by repression in the Baltic states, he insists there can be no turning back to the old authoritarian, centralised system.

His prime hope is that Gorbachev and his rival Boris Yeltsin " will seize their common interest in stability to distribute both rights and responsibilities between the central union authorities and the republics."

Personal service

■ Jeffrey Archer, author and Tory-party booster, must be one of the few celebrities who still dares to fly. He says that, when he rang British Airways the other day to ask about the next Concorde flight, the reply was: "What time would you like it to leave?"

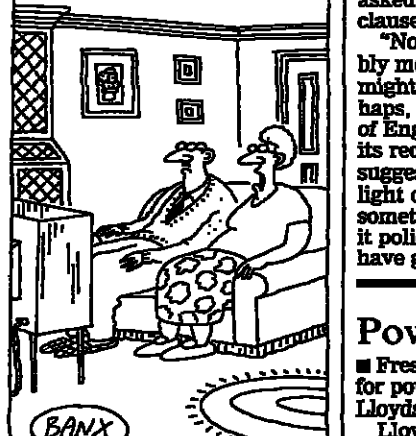
Anchor trouble

■ At the height of the Vietnam war the CBS Evening News with Walter Cronkite was required viewing. However, habits change, and it is beginning to look as if Cronkite's successor, the supremely well-paid Dan Rather, could be the first big US media casualty of the Gulf conflict.

It is not the first time that the 59-year old Rather – he doesn't just read the news, he makes it – has come under fire. During the last presidential campaign he got into an unedifying slanging match with George Bush.

But this time it is more serious. CBS's ratings have slumped since the start of the Gulf war and last week the group reported a $156m loss and slashed its dividend. Rather, who assumed the mantle of America's most famous tv anchorman in 1981, has been eclipsed not just by CNN's over-rated Bernard Shaw, but also by Canadian-born Peter Jennings at rival ABC. The latter is more authoritative and is said to have "won" the Gulf media war by those who worry about such things.

Last week, Tom Bettag, the executive producer of the CBS Evening News and Rather's main ally in the fight against budget-cutting network executives, was replaced by Erik Sorenson. He hails from the Californian media world, where keeping the viewer happy is considered a greater priority than keeping them informed.



"Do you suppose CNN will cover the election?"

Banker bitten

■ Whether the sight of the Governor of the Bank of England wriggling on a hook is satisfying or disconcerting depends on point of view. But there must be something wrong with the laws that created yesterday's entertaining but unedifying spectacle at the House of Commons.

Mr Robin Leigh-Pemberton knows how to say "no" in the politest possible way and this he did in a most gentlemanly fashion as he refused to answer one question after another about the Fayeds and Harrods Bank. Yet he left an impression of evasiveness which drew committee members close to fury.

At one point he was offered a lifeline when a member asked if he thought the secrecy clauses should be amended.

"No" he replied, with possibly more emphasis than he might later have wished. Perhaps, this is what the Bank of England really feels, but its record over the last 20 years suggests that a little more daylight on the mysterious, and sometimes unpredictable way it polices its flock would not have gone amiss.

Power struggle

■ Fresh signs of the jockeying for power near the top of the Lloyds Bank empire?

Lloyds Abbey Life, the bank's 60 per cent owned insurance subsidiary, reports its results this morning, a couple of days ahead of its parent. Normally, they report on the same day. The official line is that as the £2.5bn Lloyds Abbey Life is bigger than the likes of Royal Insurance, Commercial Union and General Accident, its results justify more than the usual footnote to those of its parent.

Nevertheless, there are those who suspect that 47-year-old Michael Hepher, chairman of Lloyds Abbey Life, is keen to raise his public profile and highlight the obvious success of his groundbreaking link up with Lloyds Bank in 1988. It is now the envy of many less well-positioned banks and imitated by an increasing number.

It has not gone unnoticed that Hepher is one of three in the running to take over from Sir Brian Pitman, Lloyds Bank's chief executive. The oft-cited drawback is that Hepher is not a banker. But neither are the top two at the TSB or Abbey National, and it looks a near certainty that the same will soon be the case at the Royal Bank of Scotland.

Meanwhile, Hepher's big plus is that he is said to be a man who makes actuaries sound exciting.

Michael Cassell on calls for government action to bolster investment in the manufacturing sector

Industry looks for new running shoes

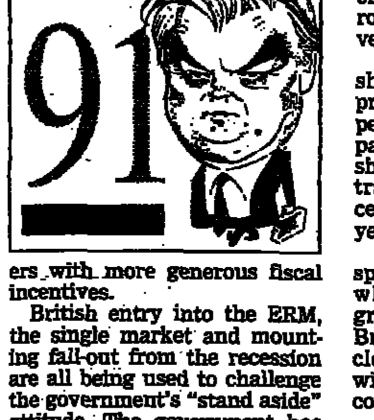
"We are talking about two lost years in the fight to restore Britain's standing as a major manufacturing power. It looks like being the price which has to be paid for overcoming inflation."

Professor Doug McWilliams, chief economic adviser to the Confederation of British Industry, is not alone in concluding that the recession, however quickly it ends, is severely undermining recent attempts to restore Britain's manufacturing base.

Inflation may now be on a significant downward path, eventually taking interest rates with it. But there is deepening concern that the present economic squeeze will have much longer-lasting effects on British industry's programme of capital investment, upon which attempts to claw back lost competitiveness must rest.

Despite the recent, short-lived upsurge in investment programmes, fixed capital spending by British industry still only stands at £2,600 per employee annually, £1,000 less than in France or Germany and £4,000 less than in Japan.

The latest downturn in the UK economic cycle has, alongside increasingly urgent calls for interest rate reductions, ignited a pre-Budget debate over the extent to which government should help redress such under-investment by directly providing manufacturers with more generous fiscal incentives.



British entry into the ERM, the single market and mounting fall-out from the recession are all being used to challenge the government's "stand aside" attitude. The government has long insisted that its role should be primarily confined to establishing the overall economic climate in which corporate activity can flourish.

Every Budget is preceded by a wave of special pleading from vested interests. But manufacturing industry says the outlook for capital investment appears more gloomy than for a decade and that the case for government intervention has never been stronger.

The evidence is that companies across the board are now cutting deep into their plans for spending on plant, machinery and buildings.

While Imperial Chemical Industries is in the process of lopping up to £200m from its planned £1bn capital spending programme this year, Heath Springs, a small Redditch-based manufacturer supplying the automotive, domestic appliance and aerospace industries, has frozen an ambitious, rolling investment programme for new machinery.

Mr Edward Roberts, the chairman and chief executive of Heath Springs, says two new machines costing £250,000 – a large capital commitment for a company with an annual turnover of £4.5m – were due to be installed this year. Nothing is now likely to happen before December at the earliest.

Mr Roberts's company may prove less vulnerable than many small businesses because it is part of a larger group. But he adds: "Many small and medium-sized companies have invested in plant and machinery ahead of earnings on borrowed money. Now they face very big problems."

Manufacturing industry's share of UK gross domestic product has declined from 25 per cent to 20 per cent over the past 10 years. The country's share of manufacturing world trade stands at about 8 per cent, against 10 per cent 10 years ago.

The bleak outlook for capital spending follows a period in which there were some grounds for believing that Britain's manufacturers were closing the investment gap with their principal overseas competitors.

In 1988 manufacturing investment rose more rapidly than in any year since 1964 and it reached record levels in 1989. But in the last three months of 1990, investment sank by 15 per cent compared with the same period a year earlier.

In 1990 as a whole, manufacturing investment – 80 per cent of which is in plant and machinery, with the balance in vehicles and buildings – fell to £11.7bn from £12.42bn in 1989.

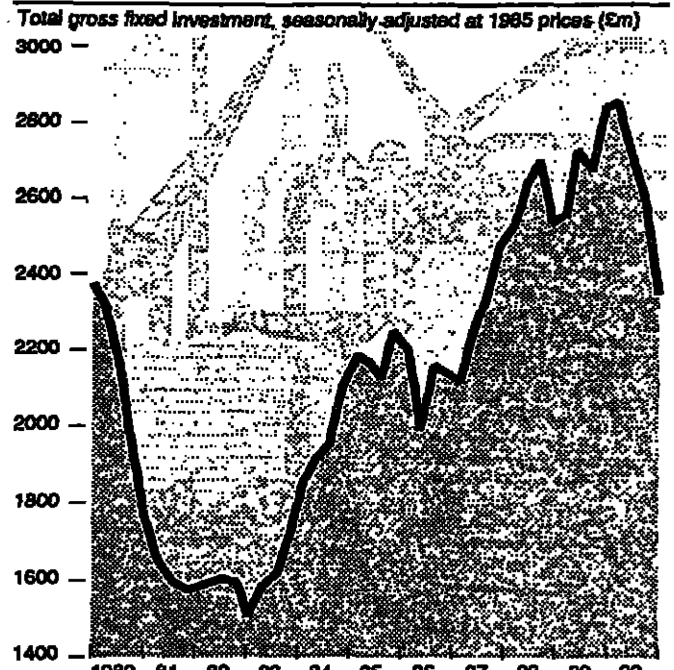
But although the 1990 performance remained among the best on record, it reflected investment decisions taken earlier in the economic cycle. The fear now, borne out by the steep decline in the last quarter, is that a sharp collapse is under way. Forecasts suggest that investment in 1991 could fall by as much as 7 per cent in real terms – taking new investment back to the levels of 1983.

"We were making impressive efforts to catch up after the vintage investment years of 1988 and 1989," says Mr Neil Williams, the CBI's head of economic policy. "The recession means we now face an investment slump; we have had our running shoes taken away from us."

The CBI would like to see a further cut in corporation tax next month but acknowledges that this is unlikely. It says that although the current 35 per cent rate equates to those in Europe, the total business tax burden remains considerably higher than in most EC countries. A principal reason is the reduction in, or removal of, various forms of investment relief.

UK manufacturing industry

Total gross fixed investment, seasonally adjusted at 1985 prices (£m)



Source: CSO

Many manufacturers now believe that the immediate priority is a more powerful and direct investment stimulus in the form of higher depreciation allowances on new plant and machinery. Smaller companies, it contends, should also be permitted to write off the first £50,000 spent on new plant.

Treasury ministers have until now shown little enthusiasm, portraying the recent downturn in capital investment as a natural, if unfortunate, component of the normal economic cycle which will rectify itself once conditions improve.

They point to 1988 and 1989 as evidence that investment can flourish without additional allowances and warn of artificially distorted investment patterns which do not necessarily improve the quality of the investment undertaken.

There is strong pressure, however, from the Tory back benches for the government to help industry mitigate the worst effects of the recession. There are also indications that the new prime minister's policy unit may be more inclined to support the argument for more generous allowances. The prospect of changes next month, however, appears slim.

Ministers claim, in any case, that UK industry has made substantial strides since 1979, with output up by nearly a quarter and productivity higher by 60 per cent. They claim that overall investment, which extends beyond plant, machinery and buildings to items such as training and research and development, is 25 per cent higher than a decade ago.

But according to Mr David Lees, the chairman and chief executive of GKN, the engineering group: "With ERM entry, the UK is in the painful process of changing from a high-inflation, high-cost economy to a low-inflation, low-cost economy. In these special circumstances, it needs extra help.

"Despite the constraints upon it, the government must reconsider. When resources are tight, it must consider how it can get the biggest bang for its bucks. Higher allowances are at least part of the answer."

Mr David Pennock, the chairman of Asthell Scientific, the Kent-based scientific equipment manufacturer, says the government will be guilty of "a gross dereliction of responsibility" if it fails to raise allowances.

Apart from its commitment to create a British Investment Bank able to provide long-term loans for industry, the Labour party has made clear it favours improved investment allowances for plant and machinery.

It plans write-offs of up to 100 per cent for some types of new manufacturing investment and also wants a more generous system of tax credits to boost spending on research and development.

The opposition's blueprint for rejuvenating manufacturing, to be unveiled shortly, will call for a long-term industry-government partnership at national and regional level and is aimed at increasing investment by £1bn in five years.

Mr Michael Frye, the managing director of B Elliott, the machine tool and engineering group, says there is a political vacuum when it comes to the development of Britain's manufacturing base.

"We need a less hostile manufacturing environment and a more sustained approach to its future development. Manufacturing industry has to move right up the political agenda. We cannot survive on insurance and lollipops."

German takeover barriers

Obstacles to foreigners are nothing but a myth

By Dr Hans-Jochen Otto

A widely shared attitude exists among European mergers and acquisitions specialists that corporate Germany can defend itself against international M&A activities, and in particular against unsolicited takeovers.

This is supposedly accomplished through irresistible structural obstacles and a corporate culture dominated by the big German banks thought to be hostile to most Anglo-American financial innovations of the last decade. This thesis was outlined in a magazine article illustrated with a picture of German First World War air forces, and the caption: "Defending fortress Germany from the M&A raiders doesn't require much effort. The structural obstacles preventing fully-fledged market activity remain intact and are likely to stay that way for the foreseeable future."

This concept of the impenetrable German capital markets is ill-founded and risks becoming a self-fulfilling prophecy. A look at the argument shows up its fallacies.

Voting rights limitations, introduced by many large German corporations, restrict the voting powers of single shareholders to, for instance, 5 per cent regardless of the size of their stake. This forms the most obvious impediment to unwelcome bids. Yet is this really effective? The bid may be made contingent on shareholders abolishing such a voting rights clause in the corporation's by-laws. Such a motion can be put to the vote by the bidder if he or she has already acquired shares to the nominal value of DM1m.

Little doubt remains that shareholders would vote in favour of such a change in the by-laws if the bidder offers them an attractive premium on the share price.

Another tactic which gets around the voting rights restrictions is the pooling of votes by a group of (non-related) shareholders working together in the takeover, as is the case in the attempted takeover of the tyre maker Continental by Pirelli. In addition, private shareholder organisations backed by prominent politicians have recently filed motions to delete voting rights clauses at the annual meetings of several large German corporations. In the case of Continental, they were nearly successful (missing only 1 per cent of the votes) even though there was no tender offer imminent. Such efforts will continue and have even been approved by some big German banks.

Another mythical obstacle to takeover activities is the German two-tier board system which allegedly makes it difficult, if not impossible, for bidders to install their own management after having acquired a majority share. The common belief is that, according to existing legal provisions, a 75 per cent majority is required to oust the supervisory board which has exclusive authority for appointing and replacing the board of management. This assumption is grossly erroneous – the by-laws of nearly all German corporations have been modified to allow a simple majority of the present votes to be sufficient.

Takeover bids are made even simpler because German law, unlike British or French law, allows partial bids, thereby ensuring that financing requirements for mounting a bid can be kept relatively low. Finally, the requirement under German labour law for half the board members to be elected by employees, another alleged barrier to takeover, does not obstruct a change in management control; in a dispute with supervisory board members elected by the employees, the presiding board member elected by the shareholders has the decisive vote.

Perhaps the greatest mystique surrounds the alleged powers of the big German banks which are believed to be capable of fending off any unwelcome takeover bid for a German blue chip corporation. Yet German banks are normally not important stakeholders. Their proxy powers relate to their role as depositories and may only be exercised in support of resolutions backing incumbent management unless the private shareholder-depositors instruct the bank otherwise. Such specific shareholders' instructions would be expected if an attractive tender offer was made which would allow shareholders to realise the value of their shares.

In addition, the banks as depositories are obliged to send complete offer documents to all shareholder-depositors. For these reasons the banks' influence is valid under "normal" circumstances but wanes significantly if the usually dormant private shareholders are roused by the chance to make a substantial and, moreover, tax-free capital gain by accepting the bidder's offer.

So what remains of fortress Germany's takeover barriers? Is it an alien corporate culture that intimidates foreign would-be acquirers? Mr Helmut Loehr, a management board member of Bayer and by no means an enthusiast of hostile takeovers, has stressed the positive aspects of Anglo-American-style takeovers and buy-outs in its creation of shareholder value. He expects substantive corporate restructuring activity in Germany soon.

Deutsche Bank's acquisition of Morgan Grenfell certainly demonstrates acceptance of the Anglo-Saxon financial culture. Moreover, all leading German banks have established special corporate finance subsidiaries for buy-out and venture capital purposes and are increasingly engaging in such transactions. The argument can no longer be advanced that buy-outs are acceptable only if targets are restricted to non-quoted medium-sized companies.

Finally, since the combined Siemens/GEC hostile takeover of Plessey, any British company certainly has the best arguments on its side should it one day decide to invest in a German blue chip without asking the board for permission.

Could it be that the most daunting obstacle facing foreign M&A practitioners is quite simply their own allegiance to a self-perpetuating myth? It is clearly more realistic to recognise that the German market remains one of the most liberal and least regulated of the western world.

The author is a partner in the German law firm Thümmel, Schütze & Partner.

LETTERS

Few marks for the water companies

From Lord Rayner.

Sir, It is not my normal practice to respond to correspondence arising from an interview with the press. However, I feel I must reply to the letter written by Mr Michael Carney (February 9).

The water companies are not bigger than Marks and Spencer. See the table, using statistics of profits to which Mr Carney refers. The other criteria is that the water companies do their job with nearly half the staff of M&S. I question the validity of the comparison but again, the claim is inaccurate. As our annual accounts show, the full-time equivalent staff employed by M&S in the UK is 39,815, compared with 42,363 employed by the water companies.

I have had no satisfactory response as to why water, unlike gas and other utilities, does not have a national grid to supply the product and why the consumer should be taxed for supply based on the rating system which was in such disrepute it was abolished. I have always believed that taxation is for government and that companies operating for profit charge their customers according to their consumption.

Lord Rayner,
Michael House,
Baker Street, W1

Water companies' pre-tax profits and employees

Company	Pre-tax (£m)*	Numbers
South West	45.3	1,712
Welsh	39.5	3,711
Yorkshire	57.7	4,591
Wessex	27.0	1,639
Thames	179.2	7,790
Severn Trent	129.9	7,298
Anglian	86.1	4,328
Southern	60.1	2,790
Northumbrian	10.0	1,404
North West	75.3	7,100
Total	710.1	42,363
Marks and Spencer	601.4#	39,815

*Year to March 31 1990.
UK pre-tax profit after profit sharing of £14.7m (a distribution not a charge)

A caricature that offends

From the secretary general, Board of Deputies of British Jews.

Sir, We are receiving many complaints from Financial Times readers about the cartoon of Mr Paul Reichmann (February 19).

The caricature is very reminiscent of the style adopted by the Nazi press in days gone by and we find it quite shocking that a publication of your standing should reproduce a racial stereotype of this kind, which must inevitably cause offence, particularly in these sensitive times.

Hayim Pinner,
Woburn House, Tavistock Square, WC1

From the president, Anglo-Jewish Association

Sir, On looking at page 19 (February 19), I was horrified at the caricature of one of the Reichmann brothers. It was blatantly anti-Semitic.

It is bound to remind many Jewish readers of the worst days of Nazism and of the kind of art we saw in Die Sturmer.

I think what wounds is the apparent insensitivity of your editorial staff. I cannot imagine you meant to produce such a reaction.

Fred Tuckman,
Woburn House,
Upper Woburn Place, WC1

Unacceptable price of exports

From Mr P Hills

Sir, Might I be forgiven for expressing the view that your columns had succumbed to pressure from the Treasury with the simultaneous publication of the article entitled "The unacceptable price of British exports" (February 1) and the announcement of the Export Credits Guarantee Department's (ECGD) latest accounts?

Andrew Tyrie's arguments for the effective demise of the project division of ECGD are all too familiar to those in industry and the City who contend that the promotion of exports is so obviously in the national interest that it should be sustained without question.

The arguments for supporting ECGD's project-related operations, far from being feeble, are soundly based but need a detailed explanation which Mr Tyrie failed to provide.

Although only 2 per cent of non-oil export business is covered by ECGD, exporters and their bankers realise this is only the tip of the iceberg when one considers how much additional export business of a non-project nature follows on from the completion of showcase projects by British exporters in overseas markets.

Unilateral disarmament of these forms of government support would disadvantage the UK exporting industry involved in major projects and capital equipment sales to an extent that it would be uncompetitive in world markets. Unless governments themselves can agree to a multilateral reduction in subsidies which would need to be strictly enforced, British exporters are entitled to existing levels of support. The UK's industrial manufacturing base would be eroded still further if unilateral action was taken by the government to eliminate or reduce subsidies or to make credit insurance cover less available.

Moreover, British industry will become less competitive when ECGD increases its premium charges, taking them further beyond the levels of our European competition.

The resolution to the continuing saga of subsidies is within the gift of OECD governments and apparently is at last being tackled. Very few exporters want subsidies maintained for longer than necessary. If the government cares about maintaining Britain's manufacturing base, it would be well advised to provide strong support for ECGD project business for the foreseeable future. After all, the next Labour government is committed to ensuring that the necessary support for our national export effort is not denied.

P Hills,
head of trade finance,
Midland Montagu Trade Finance, Midland Bank,
110 Cannon Street, EC4

Independent voice of French foreign policy

From Mr Kevin Michel Capé.

Sir, As an admirer of your newspaper, I was dismayed to read Ian Davidson's commentary on French Gulf policy ("The worst of all worlds", February 11). The tone of the article, with that wonderfully British view of the French that mixes pity with condescension, was one found regularly elsewhere. I have come to expect higher standards from your publication.

First, we are told that the Gulf war is having a "traumatic impact on France". Evidently, Mr Davidson lives in another world; I am still waiting to meet my first traumatised Frenchman. Then we are told that French foreign policy is composed of "idiosyncratic policies based on pretensions of national independence". Of course, the implicit assumption in this is that the French should stop all their silly ideas about having a foreign policy of their own, and fall in line, like London, whenever the White House calls.

Fortunately, many people in the Arab world remember that France was presumptuous enough in 1967 to become the first western country to speak out on behalf of the rights of beleaguered Palestinians in the Occupied West Bank. As General de Gaulle said at the time: "Israel is organising, in the territories it has taken, an occupation it cannot sustain without oppression, repression, expulsions..." Had Britain and America been similarly forthright at the time, today we would see much less hatred directed toward the west from the Arab masses.

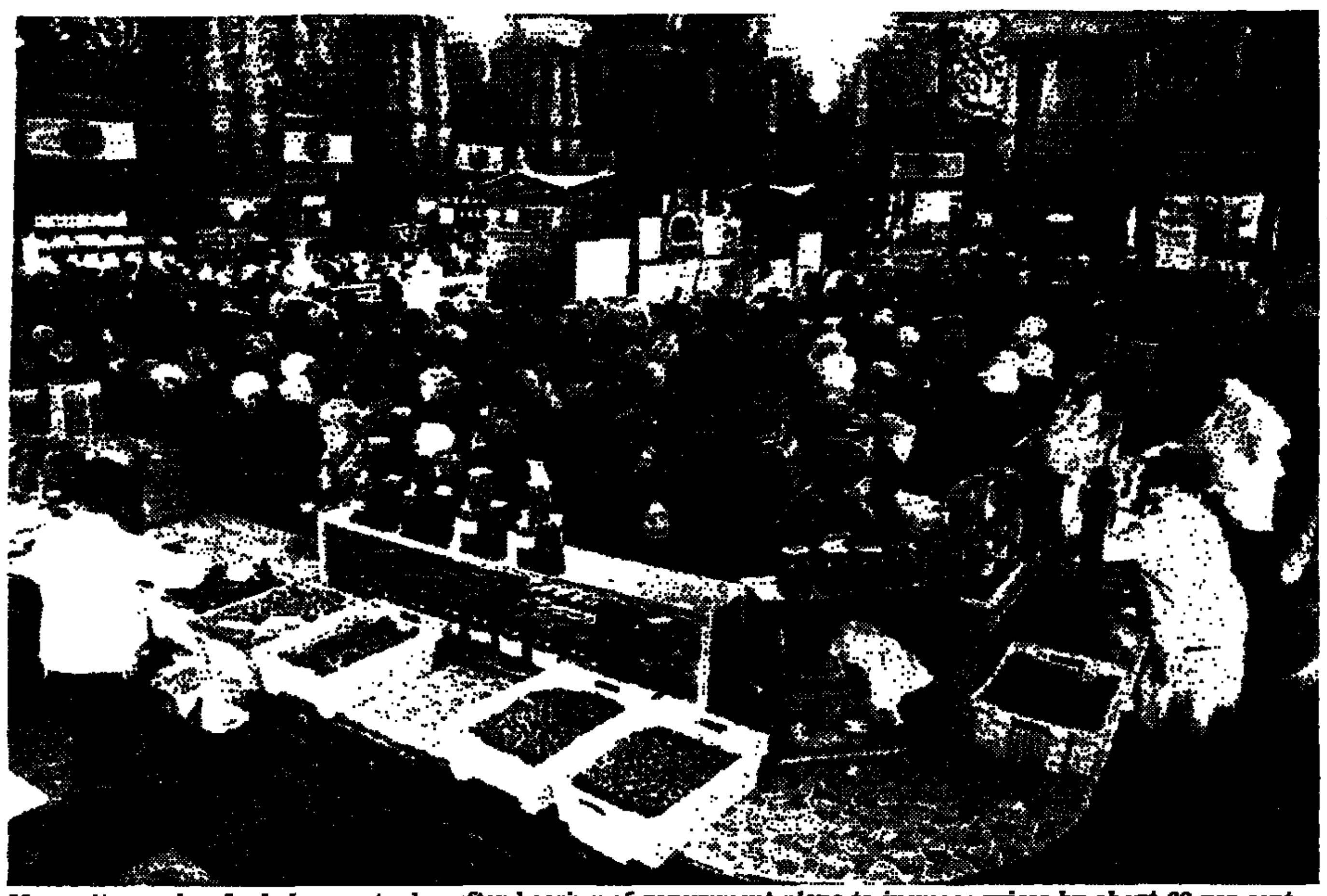
Finally, we are told that the end of the Gulf war will cause France "to make a profound reassessment of its strategic assumptions". Perhaps. My own scenario is for a strong France to continue to speak with an independent voice – and let the chips fall where they fall.

Kevin Michel Capé,
12 Rue S J Baptiste de la Salle,
Paris

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

FINANCIAL TIMES
Wednesday February 20 1991



Muscovites pack a food shop yesterday after hearing of government plans to increase prices by about 60 per cent

SOVIET ECONOMY

Directors to fight Kremlin decrees

By Quentin Peel in Moscow

LEADERS of hundreds of Soviet enterprises are set to launch a counter-attack on the reimposition of central controls over the Soviet economy, calling for the repeal of a string of recent government decrees.

At the same time, the National Congress of Directors is expected to call on the rebellious union republics to end their "war of laws" with the central government, in order to ensure the maintenance of a single union-wide market.

More than 1,300 top managers, scientists and businessmen gathered here yesterday for the first real attempt by industrialists to defend the transition to a market economy.

They are seeking to create the first business lobby in the Soviet Union, combining both state and private sectors, to draft and scrutinise future legislation, and fight for the creation of a genuine market system.

The managers are almost equally critical of President Mikhail Gorbachev's apparent drift away from liberalising market reforms, and of the republics' moves to "separatism". A comprehensive draft resolution presented to the congress yesterday criticised the incoherence of government policy, including the recent presidential decrees.

"The congress believes that the present crisis in the economy is . . . a result of the lack of a clear-cut and acceptable programme, sluggishness and blunders in carrying out overdue economic reforms.

"Growing political confrontation greatly damages the economy. A natural and legitimate drive by the republics towards political sovereignty very often turns towards economic separatism and autarky.

"These tendencies have a particularly detrimental effect on big state enterprises, whose production cycle includes raw materials and semi-finished products from many regions."

The resolution, expected to be approved by the congress today, calls for the repeal of the government decree giving sweeping powers to the KGB and Interior Ministry to search their premises and seize documents. It says the decree contradicts earlier laws, could force some businesses to close, and "undermines the confidence of foreign partners."

The industrialists also want repealed the recent government regulation on profits, which sets Rbs400 as a maximum monthly wage. They demand reconsideration of the order regulating the foreign exchange incomes of enterprises, and urge reconsideration of all recent presidential decrees "limiting the economic freedom of enterprises."

Criticising the continuing "pressure of ideological stereotypes and political incantation," they attack the failure of the Supreme Soviet to put in place an adequate complex of laws to enable the rapid transition to a market system.

The congress has been organised by the Scientific-Industrial Union, headed by Mr Arkady Volsky, hitherto a close ally of Mr Gorbachev and top Communist central committee official. He said the 1,500 enterprises it represented accounted for 65 per cent of Soviet manufacturing industry.

It represents the progressive wing of Soviet industry, as opposed to the Association of State Enterprises, which is dominated by the military-industrial complex.

Mr Gorbachev attended the opening session yesterday, and is expected to address the meeting today

French economy 'in recession before Gulf war'

By Ian Davidson in Paris

THE FIRST clear signs that the French economy was in recession even before the start of the Gulf war emerged yesterday, with news of a sharp decline in industrial output at the end of last year.

The figures, published by the statistical office, showed that industrial output fell in December for the fourth month running. The decline, of 4 per cent from November and 6 per cent from December 1989, was steeper than for the rest of the economy, with the car and steel industries especially hard hit.

December's overall output figure was 1.44 per cent down, following a 1.9 per cent decline in November, but only 1.35 per cent down on December 1989.

Output of the car and household appliance industries was 4.9 per cent lower in December and 17 per cent down over 12 months. Steel output was 8 per cent down in December.

It is not clear from the figures how much of December's dip is a continuation of an existing decline and how much is an anticipation of the Gulf war. The government has revised its growth forecast for the first half to about 2 per cent, and admits that tax revenues are sluggish.

The figures throw a stark light on the political debate over cost of the Gulf war and how it should be financed. Prime minister Michel Rocard has called on his ministers for FFr12bn ($2.42bn) budget savings, excluding defence, wage costs and national debt funding. The savings are to be allocated early next month.

Some leading Socialist party members are urging different funding approaches, because of the economic slowdown. Mr Dominique Strauss-Kahn, president of the Finance Committee of the National Assembly, has advocated launching a Gulf war loan.

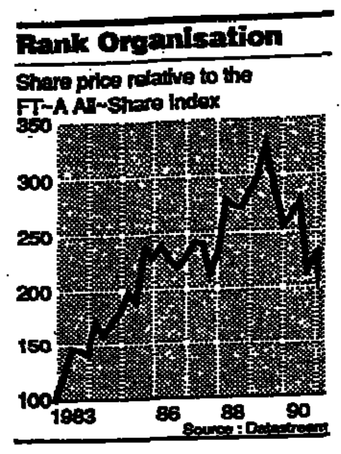
Mr Pierre Bérégovoy, finance minister, said yesterday that he ruled out "for the moment" a special tax to finance the war costs.

THE LEX COLUMN

A Brussels bonus for life insurers

It may not send a shiver of anticipation down everyone's spine, but the new directive on life assurance due to be adopted in Brussels this morning is a landmark in its way. The idea of authorising non-life companies to sell services and establish branches on the basis of home country regulations was formally spelt out in draft EC legislation last November. Now that life insurers are being offered the same chance to work with a single passport, the last main building block of the EC's financial services market is finally in place.

Germany in particular will fight hard during the forthcoming negotiations for continuing control over premium rates and policy conditions. There will be pressure for guaranteed surrender values, which the UK Government will also hope to resist. The wider issue is whether UK companies are particularly interested in the outcome. Not so long ago 1992 was all the buzz. Today, deep troubles in the home market mean the mood is darker. In any case, continental rivals have been more adept at picking up distribution channels and the much trumpeted appeal of innovative UK products may have been overdone.



British Rail

The potty state of British Rail's finances has been self-evident since mid-1989 in the small print of its annual reports and corporate plans. The grant BR gets to fund Network Southeast and its other provincial lines has been failing relentlessly since the mid-1980s. But BR's capital investment needs have been rising, with perhaps another £4bn planned over the next three years. Up to 1990, thanks to a booming economy, mass redundancies and the income from property projects such as Broadgate, BR could just about bridge the widening gap. In the last eighteen months the weakening economy, the commercial real estate slump and the inevitable slowdown in BR's productivity gains have blown it wide open.

What seems new is that the powers that be are abandoning even the pretence that the sums add up. BR has quietly ceased publishing its rolling 5-year corporate plan, which used to appear with inconvenient regularity each December. The Transport Department's recent annual report on expenditure plans contains no detailed forecasts of BR's operating performance, other than a ball-park guess at £1.05bn of losses in the next three years.

Between 1991 and 1994, BR is also supposed to make £800m of asset sales, the Department says. The wisdom of selling public assets into a falling market is, of course, not questioned. As for Sir Bob Reid, BR's new chairman, he now communicates with the Government via radio interviews in which he scarcely dares utter the word subsidy. Meanwhile the passengers - sorry, the customers - have few illusions about the scale of the fare increases likely this time next year.

Electricity

If soundings after the second round of bidding are correct, institutions wishing to buy and hold shares in the electricity generators are in danger of being too aggressive for their own good. Their problem has been to play the bidding game so as to end up with shares at a yield corresponding to the risks. The clearing level now appears to have edged down as low as 6 per cent, meaning any premium in the after-market would leave little headroom above the market's average historic yield of 5.1 per cent.

The institutions might remind themselves just what they are hoping to buy. PowerGen and National Power will be among the world's largest private utilities. They have large scope for cost-cutting and operating efficiencies and are being sold with a virtual guarantee that earnings and a progressive dividend policy will be secure until early 1993. They also have in the government a 40 per cent stakeholder supposedly willing in principle to sell to a potential bidder. The same companies are, however, part of a largely untried industry structure. What happens when existing contracts terminate in two years' time is anybody's guess. They also face a high degree of political uncertainty and a bill for long-term environmental protection measures which can scarcely be quantified.

Though the generators are in effect unique, a quick scan of other large industrial stocks suggests that the institutions can safely contemplate a yield of around 6.3 per cent. Their near-term prospects for dividend growth may be exceptional; but it is worth recalling that a third of the stocks in the FT-SE are yielding over 6 per cent already.

Rank Organisation

The Rank Organisation's report and accounts are something of a period piece. Last year's Mecca bid had a quaintly 1980s feel to it. Suitably enough, while the accounts show the deal giving rise to £391m of goodwill, the nifty use of merger accounting has limited the write-off against shareholders' funds to a mere £6m. Thus, gearing has fallen from 42 per cent to 40 per cent. Had acquisition accounting been used instead, it would be 52 per cent.

The profit and loss account displays some harmless little wrinkles, such as capitalised interest and the use of auction market preference stock, which assist the modest rise in pre-tax profit. A more substantial blow in the same cause comes in the form of a change in depreciation policy on buildings. Thus, the value of assets being depreciated rose by £39m in a year when total asset value rose by nearly £900m.

As always, much of this washes through in the source and application of funds. Rank's cash flow after tax and dividends came to £67m last year, before capital expenditure of £200m and acquisitions and investments totalling almost £1bn. This was paid for partly by a £320m rise in net borrowing, but mostly by £800m worth of paper. Hence the 12 per cent fall in last year's earnings per share and the chairman's pessimism about an earnings recovery this year.

Despite all that, there is nothing particularly dodgy about Rank's accounting by British standards, nor is it in any sense an unsound company. The recent decline in its shares, due largely to weak leisure spending, will doubtless be reversed over time. The moral of the tale is rather different: that the UK's new Accounting Standards Board has a big job ahead of it.

Bulgaria struggles with Zhivkov's legacy

Judy Dempsey examines the awesome task now facing President Zhelyu Zhelev

IT IS easy for westerners, impatient for reform in Bulgaria, to forget the terrible legacy which President Zhelyu Zhelev has inherited.

The country used to be referred to as "the Soviet Union's 16th republic" because of the way in which Mr Todor Zhivkov, the former Communist party leader, slavishly copied his Soviet masters and made the economy dependent on its giant neighbour.

"The Zhivkov era provided no hope, no perspective," said Mr Zhelev, who this week is on a state visit to Britain.

"It was impossible to do anything one wanted to do. One of the most damaging legacies was its support of narcotics traffic, illegal arms dealing and repression."

That repression was institutionalised in the concentration camps set up by the Communists when they came to power after the Second World War. More than 135 mass trials were held. Of the 11,000 people put on trial, more than 2,100 were sentenced to death and 1,200 were given life sentences.

Those who suffered included the small groups of professional classes who were either imprisoned, killed or forced to emigrate, and people who belonged to the country's pre-war non-Communist political parties. All independent political and economic activity was crushed.

Stalin's death in 1953 provided some reprieve. When Mr Zhivkov gained power in 1954, he closed some of the camps. But Belene, a strict regime prison located on an island on the Danube, and the notorious camps in Lovech and Skravena near the Danube which Mr Zhivkov himself established, remained open until as recently as 1962.

This memory of fear explains why, until the late 1980s, there was no opposition to the ruling Communist party. The powerful Sixth Department, under which the secret police and security forces were organised, was ubiquitous.

It was closed down in December 1989, a month after Mr Zhivkov was toppled from power in a bloodless palace coup.

Mr Zhelev now believes his task is to help Bulgarians overcome that legacy of oppression, and weaken the country's subservience to the Soviet Union. "We must open up Bulgaria to the world again," he says.

"Our growth was stunted – not only by the Communists – but by the Soviet Union. Control by Moscow slowed our economic development. Because the Soviet Union was such a backward country, it dragged us down to its level."

That relationship with Moscow meant that over the years Bulgaria became completely dependent on the Soviet Union – more than 80 per cent of the country's trade was with the Soviet Union, the rest with Comecon. Mr Zhelev recognises that it will take time to change the country's trade patterns: "We will need our western friends to help us."

It is an awesome task. Mr Zhelev, 55, philosopher by training, spent the Zhivkov years writing and teaching. "In my spare time, I walked in the mountains. But I have no time now."

Instead, Mr Zhelev is attempting to speed the pace of change. Domestically, he wants to accelerate privatisation and land reform.

He says that the coalition government, which last December replaced the Socialist cabinet, is committed to this programme, but the parliament, which is dominated by the Socialist (former Communist) party, continues to block legislation.

"Privatisation and land reform will put an end to the nomenklatura and the power of the bureaucracy," he explained. Already there is a sharp debate about introducing private ownership of land. Some Bulgarians say private property will allow the ethnic Turks to buy tracts of land.

"This is absolutely unfounded. If we have private property, it will mean that anyone can buy or sell land. There will be competition. That is what the state is afraid of. It will lose its power."

Mr Zhelev believes the west "underestimated the difficulties facing our country. We are facing an economic crisis which is close to catastrophic. In the past, the Communists relied on credits to disguise the economic crisis. Now we have to pick up the pieces."

Yeltsin calls for resignation

Continued from Page 1

attack in the official Communist party media, accused variously of being a drunkard, a traitor bent on destroying the unity of the nation, and of being involved with organised crime.

He responded yesterday by charging that 200 tonnes of Russian gold had been exported from the country without legal cause or explanation, and calling on the media to investigate it.

He said the greatest mistake of his own leadership of the Russian federation, by far the largest constituent part of the Soviet Union, had been his failure to defend the radical 500-day plan for transition to a market economy – originally backed by both Mr Gorbachev and himself.

He went on to accuse his rival of lying and deceit in his leadership.

Bush dismisses terms of peace initiative

Continued from Page 1

president. They also said there was no explicit linkage between the withdrawal from Kuwait and subsequently addressing the Palestinian problem.

However, once the independence of Kuwait was fully restored, a peace conference would be convened with this a central feature of the agenda.

Arab and other diplomats, however, expressed doubt whether Mr Saddam could respond to the plan – because it contained no significant proposals to enable him to claim even a shred of victory.

They concluded, therefore, that the plan might have been more addressed to placating the harder-line elements in the Soviet army and the Communist party who are expressing ever more vocal criticism of the Soviet Union's position as a non-combatant ally of the US.

Despite the reported absence of concessions to the Iraqi leader, US officials yesterday were concerned that Moscow's plan could allow Mr Saddam to remain in power with a large part of his military machine intact as well as an unacceptable linkage with other issues such as the Palestinian question.

In Washington the preferred outcome remained Mr Saddam's removal from power or, at the least, his military machine substantially cut back, with Iraq facing continued sanctions.

Mr Dick Cheney, US defence secretary, yesterday warned that a ceasefire to make room for negotiations would provide the Iraqi army with an opportunity to re-arm and reinforce its troops; "a step that could result in significantly higher casualties to US and allies forces."

A ceasefire, or pause, would be "very dangerous" to US troops in the region.

Mr Bush and his advisers remained determined to maintain the military pressure now that coalition forces are winning through the air campaign.

He told Congressional leaders that the coalition had "achieved a good deal of what we set out to do from the air." While declining to say exactly when a ground operation might start, he noted that "preparations are on schedule."

Afterwards, Mr Tom Foley, the Democratic House Speaker, said a ground war was inevitable unless there is a willingness on the part of Saddam Hussein to withdraw.

● Mr Javier Pérez de Cuéllar, UN secretary-general received a copy of the Soviet Union's peace initiative and hoped it would help end the Gulf crisis, Reuter reports from the United Nations.

Brazilian car group cuts jobs

Continued from Page 1

Suzuki is test driving three models in Brazil and also planning to import 4,000 cars this year for the first time, as a result of the recent reductions in tariffs.

● Ms Zelia Cardoso de Mello, Brazil's economy minister, has accused the country's creditor banks of deliberately stalling negotiations over the country's $63m foreign commercial debt. She complained that "they are betting on the fall of this economic team.

"They [the banks] would prefer a team more amenable to their interests who would pay arrears without major discussion as happened many times in the past. Let's see who will come out winning."

Ms Cardoso de Mello complained: "The banks are more preoccupied with closing their balances than with the general situation in Brazil."

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	16	61
Algiers	C	14	57
Amsterdam	S	3	37
Athens	F	14	57
Bahrain	–	–	–
Bangkok	F	35	95
Barcelona	F	13	55
Beirut	–	–	–
Belfast	R	3	37
Belgrade	C	2	36
Berlin	S	2	36
Biarritz	S	12	54
Bombay	S	28	82
Bordeaux	S	13	55
Boulogne	–	–	–
Brussels	C	1	34
Budapest	S	1	34
Buenos Aires	F	25	77
Cairo	S	27	81
Cape Town	–	–	–
Caracas	–	–	–
Casablanca	H	8	46
Chicago	C	2	36
Cologne	C	3	37
Copenhagen	C	1	34
Corfu	S	14	57
Dallas	C	8	46
Dublin	C	7	45
Dubrovnik	S	15	59
Edinburgh	F	5	41
Faro	C	14	57
Florence	C	12	54
Frankfurt	C	1	34
Geneva	C	2	36
Gibraltar	F	13	55
Glasgow	R	5	41
Helsinki	C	-5	23
Hong Kong	–	–	–
Innsbruck	S	4	39
Inverness	F	7	45
Islamabad	C	19	66
Istanbul	F	8	46
Jakarta	R	31	88
Jersey	C	3	37
Johannesburg	F	21	70
Lima	F	24	75
Lisbon	C	11	52
London	S	5	41
Los Angeles	–	–	–
Luxembourg	C	4	39
Madeira	–	–	–
Madrid	C	7	45
Majorca	R	12	54
Malaga	S	19	66
Malta	S	15	59
Manchester	S	4	39
Manila	F	31	88
Melbourne	F	19	66
Mexico City	F	24	75
Miami	S	20	68
Milan	S	7	45
Montreal	C	-8	18
Moscow	Sn	-9	16
Munich	C	5	41
Nairobi	S	30	86
Naples	F	15	59
Nassau	C	24	75
New Delhi	–	–	–
New York	–	–	–
Nice	F	15	59
Nicosia	–	–	–
Oporto	S	13	56
Oslo	F	-2	28
Paris	S	8	46
Peking	S	1	34
Prague	S	2	36
Reykjavik	F	2	36
Rhodes	C	14	57
Rio de Janeiro	R	32	90
Rome	F	15	59
Salzburg	S	8	46
San Francisco	–	–	–
Seoul	S	-2	28
Singapore	F	31	88
Stockholm	C	-1	30
Strasbourg	S	4	39
Sydney	S	27	81
Taipei	C	14	57
Tangier	R	10	50
Tel Aviv	–	–	–
Tenerife	C	17	63
Tokyo	C	8	46
Toronto	Fg	2	36
Tunis	F	14	57
Valencia	R	12	54
Venice	C	7	45
Vienna	S	-2	28
Warsaw	F	-1	30
Washington	R	9	48
Zurich	S	4	39

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday February 20 1991

INSIDE

Deere suffers $43m loss in first quarter

Deere, the world's largest manufacturer of agricultural equipment, suffered a first-quarter loss of $43.1m. Chairman Hans Becherer (left), who blamed the loss on the growing world recession, the Gulf crisis and pressure on US food commodity prices, also gave a gloomy profits forecast for the rest of the year. Net sales and revenues dropped 12 per cent to $1.44bn, while total production was 25 per cent lower as Deere continued to cut equipment inventories both held by the company and in dealers' yards. **Page 18**

Unwarranted problems

Japanese companies are exploring strategies that will enable them to avoid expensive refinancing of billions of dollars of equity-linked debt scheduled to mature in the next few years. The weakness of the local stock market has left many shares at prices below the set price at which warrants and convertible bonds issued by Japanese companies can be exercised. Many warrants are now likely to expire unexercised, denying companies funds they had counted on. Tracy Corrigan reports. **Page 21**

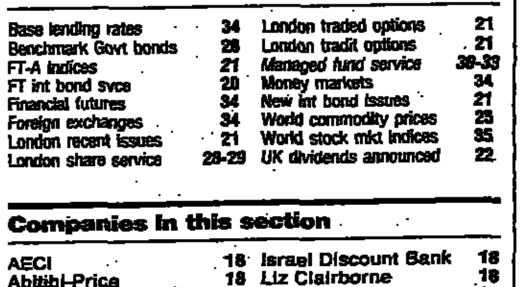
Reliving Knickerbockerglories

"We want to build a very large international ice-cream company." So says Henry Clarke, a man with an enviable pedigree in the sector, for he built the Klondike ice-cream bar to best-selling status in the US. He is also living proof that ice-cream can heal fingers burnt by junk bonds and restore self-confidence battered by losing control of US companies with $500m of annual sales and incalculable sentimental value. But can he succeed with his latest recipe? Clay Harris reports. **Page 24**

Private boost for Portugal

Portugal's two small stock exchanges, Lisbon and Oporto, are about to be given a welcome boost. The country's privatisation programme resumes next month with the completion of the sale of Aliança Seguradora, an insurance company already 49 per cent privatised. **Page 38**

The accidental conservationist



Bird-watching in Belize. Book a £2,000 holiday to pursue this exotic pastime and specialist tour operator Cox & Kings will buy four acres of Belize rainforest for £100 ($195) to keep it in its natural state. The move has been dismissed by some conservationists as a gimmick. But it is a prime example of how the tourism business is gradually waking up to the fact that while travel may broaden the mind, it also damages the environment. David Churchill reports. **Page 24**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Degussa	344	+	8
Douglas	770	+	23
Mercedes	461	+	13
Varta	323	+	6
Volkswagen	379	+	6
Falls			
Zanders	210	−	5

NEW YORK ($)

Rises			
Gen. Mills	52¾	+	¾
Hewlett-Pckd	45⅛	+	5
Limited	24⅛	+	⅜
Liz Claiborne	39¾	+	3¼
Quaker Oats	55⅝	+	1¾
Falls			
Circus Circus	61	−	¼

New York prices at 12.30.

PARIS (FFr)

Rises			
La Henin	512	+	12
Sanofi	818	+	18
Skis Rossi	690	+	11
Falls			
Bouygues	528	−	23
Cetelem	608	−	10
Valeo	404	−	10

TOKYO (Yen)

Rises			
Dowa Mining	745	+	100
Hinode Kisen	600	+	90
Meiji Ship	1550	+	200
Melx	1090	+	125
Nippon Mng.	650	+	80
Riken Elect.	636	+	75

LONDON (Pence)

Rises				**Falls**			
Ash & Lacy	107	+	13	Ansbacher (H.)	43	−	10
BAA	392	+	14	Budgens	49	−	6
Blenheim Exh.	715	+	45	Fairline Boats	413	−	40
Capital Radio	168	+	10	Hunter Saphir	61	−	17
Courtney Pope	15	+	2	Levelcrest	55	−	33
Dolphin Pckng.	98	+	14	McAlpine (A)	222	−	16
Goodhead	33	+	5	Severn Trent	270	−	10
Hall Eng.	78	+	17	Thames Water	298	−	11
Harrison Inds.	60	+	11	Turriff	63	−	32
Holmes Marcht	60	+	14				
P & P	117	+	16				

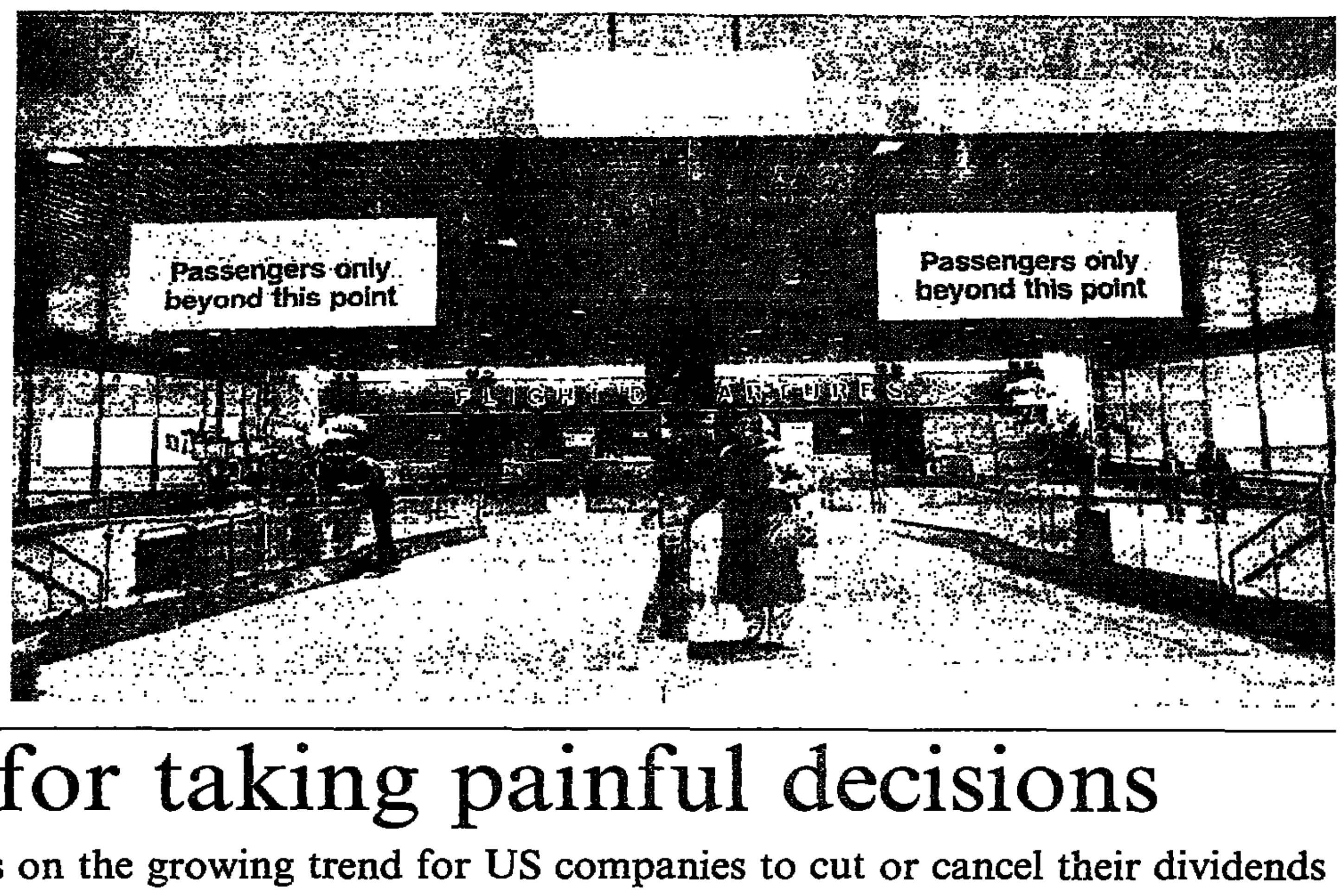
When the passengers will not fly

COMPANIES servicing international airlines are feeling the squeeze. As the number of flights to the Middle East has fallen and many travellers to other destinations have decided to stay home for fear of terrorist attacks, the impact is extending far beyond airline carriers.

Staff reductions and cost-cutting measures have come increasingly to the fore among service operators such as Duty Free shops and in-flight caterers at London Heathrow (right) and Gatwick.

Cargo and courier companies too are beginning to notice the early and ambiguous effects of the Gulf conflict on their business.

With fewer passengers travelling, there should be greater available cargo space and more enthusiasm from the airline companies to discount their rates. But the reality is very different.
Details, Page 22



Italy in Ecu2.5bn 20-year bond issue

By **Simon London** in London

AN AVALANCHE of new bonds in Ecu, the composite currency of the European Community, gathered pace yesterday with the launch of an Ecu2.5bn ($3.44bn) issue of 20-year bonds by Italy.

The issue brings to Ecu7.8bn the amount of new Ecu bonds issued since the beginning of last week, more than half the total issued in the whole of 1990.

The bond offerings, which include an Ecu2.5bn from the UK government and one for Ecu1.25bn for Belgium, have been generally well-received. The easily-traded, highly liquid issues in Ecu are now regarded as an attractive alternative to some of the more traditional European government bond markets.

The Bank of England said last week that the UK government Ecu bond issue was designed to strengthen London's position as a centre of this burgeoning trade.

The Ecu bond market has rallied strongly this year and has out-performed nearly all the underlying European bond markets which make up the Ecu.

Bond syndicate managers said the market was driven by continental European investors who see the development of a single European currency as inevitable.

However, Japanese investment institutions emerged last year as important buyers of Ecu-denominated bonds. It is estimated that about 10 per cent of outstanding Ecu bonds are held by Japanese investors, a proportion that is steadily growing.

Bond strategists suggest that the international capital market will soon be divided into three currency sectors: dollars, yen and Ecu.

The UK, Italy and Belgium bond issues may be particularly important for the future development of the Ecu market. The three deals established liquid benchmark issues at five, 10 and 20-year maturities. Previously, benchmark Ecu bond issues have been concentrated only at the seven to 10-year maturities.

Bond analysts said that the new issues would contribute to the evolution of a reliable Ecu yield curve, showing market interest rates at all maturities.

The Italy 20-year bonds will not be priced until today, but lead manager Paribas Capital Markets indicated that the yield would be set at between 9.34 per cent and 9.38 per cent.

The UK government 10-year bonds were yesterday yielding around 9.10 per cent and the Belgium 5-year bonds were yielding 9.15 per cent.

A time for taking painful decisions

Nikki Tait reports on the growing trend for US companies to cut or cancel their dividends

It is one of corporate America's most visible trends. For the past fortnight, barely a day has passed without a significant company telling its shareholders that dividends are being cut.

Among those which have joined the swelling ranks of companies that have either missed or cut their dividends in the past six months are General Motors, USAir, Chase Manhattan Bank, McDonnell Douglas and Unisys.

The coincidence of such announcements is not fortuitous. For a start, the quarterly reporting season, encompassing the final three months of 1990 together with full calendar year figures, is currently limping to a close. This is the time when boards would be meeting to consider payouts anyway.

Moreover, the results being unveiled cover the period when the domestic recession was worsening and the full impact of the Middle East crisis was hitting home.

The immediate effect of the latter on industry has been sporadic. A few sectors have taken a clearly recognisable hit – such as the airlines, whose flimsy profitability was devastated by higher fuel prices in the second half of 1990.

Elsewhere, it is more difficult to disentangle the effect of the Gulf situation on consumer confidence from the general recessionary forces. Nevertheless, sectors such as retailing, cars, tourism or entertainment, can fairly claim that the Middle East situation has, to some extent, compounded their woes.

Either way, dividend decisions have become painful, and cuts increasingly pervasive. The trend began in the period from September to December last year, when some three dozen companies reduced or eliminated payments to shareholders.

But, at that stage, the damage was fairly confined; over one third of the culprits were concentrated in the banking or financial services sectors and many of the other companies on the list could fairly be described as "maverick" – suffering from poor management, too much debt, and so on.

Since the start of 1991, three things have happened. First, the sheer number of dividend casualties has accelerated, with more than 50 announcements of reductions made in less than seven weeks.

Second, cuts have also spread to a much broader range of sectors. Companies now on the reduction list have been drawn from consumer-based industries, financial services, and capital goods businesses – although there is still a clear preponderance of candidates in the first two categories.

And, finally, industrial heavyweights are featuring more prominently. Last year, the only large companies on the list were banks and the occasional insurer, such as Travelers. Yet in the past few weeks alone, McDonnell Douglas, Goodyear Tire and General Motors have all joined the throng.

So what does this say about confidence levels in America's boardrooms? Reasons given for reducing dividends have varied, and for some companies the decision has been forced: they simply do not have the money to pay out. But this group aside, one common theme has been a wariness about how quickly the economy may pick up.

It is difficult to disentangle the effect of the situation in the Gulf on consumer confidence from the general recessionary forces

GM, for example, accompanied its decision to save $840m a year by virtually halving its payout with an assessment of the current economic situation as "highly uncertain". Moreover, it said it only expected the US economy "to start a gradual recovery at some point during 1991" – a more gloomy prognostication than either government officials or some analysts are propounding.

In many cases, directors have been keen to stress that investors are not the only victims. Taking the same examples, Goodyear stressed that capital expenditures would be cut by 40 per cent this year, while GM announced a more modest reduction of some $500m a year, to $7bn annually throughout the 1991 to 1994 period.

But this view is not universal. McDonnell Douglas, for instance, made the reverse case, saying that it needed to meet continuing high levels of investment in three new aircraft programmes this year and so was saving on dividends.

Perhaps the really gloomy indicator is the handful of companies that have failed to make any reduction at this stage, but have suggested the situation may have to be reviewed if the economy does not pick up soon.

Chrysler, reckoned to be the weakest of the big three car companies, is a case in point. Mr Lee Iacocca, its chairman, unveiled a surprise profit for the fourth quarter of 1990, but warned that the current quarter would make the last three months of 1990 "look like child's play". Although he suggested that an end to the Gulf war could bring a quick revival in the economy, he added that the dividend policy might have to be reassessed if the economic decline continued.

Surprisingly, these warnings have had little effect on the US stockmarket – which is currently driven by a belief that inflation has been sucked from the system and that interest rates are therefore heading downwards.

Such sentiment has added over 400 points to the Dow Jones Industrial Average since the Gulf war began. As a result, the yield on the S&P 500 Index stood at 3.32 per cent at the end of last week, almost half a percentage point below the figure at end of 1990.

Many stockmarket analysts reckon that such blatant disregard for warning noises emanating from corporate boardrooms is a particularly bad case of market myopia. "This market's in la-la land," says Lazlo Birinyi, one of Wall Street's commentators. "At some point, everyone will decide that it's over-bought, and people will wander round, see GM, and use dividends as a reason for marking it down."

Nevertheless, there has been a marked absence of any outcry from institutional investors over these adverse dividend announcements – and certainly no semblance of the debate raging in the UK. Explanations for such stoicism vary; disappointment may be tempered by the surge in share prices, and the cuts, although increasing in number, are still far from universal. The Council of Institutional Investors, for example, whose members include many of the large state, city, and union pension funds, concedes that attitudes are "fairly relaxed" with fund managers increasingly aware that they should "take a long-term view".

It reports only "a little bit of concern" that companies are ducking out of dividend obligations too easily. "There is a form of discipline there," it says.

US dividend cuts and omissions, Page 26

Congress urged to ease airline investment rules

By **Nikki Tait** in New York

MR SAMUEL SKINNER, the US transportation secretary, yesterday urged Congress to consider allowing foreign investors to take larger stakes in US airlines.

He suggested that there should be a change in US law, permitting foreigners to hold up to 49 per cent of the voting stock of a US airline company. This, he said, "might very well attract additional capital" into the industry.

Mr Skinner's remarks were made to the Senate Commerce Committee in a question-and-answer session, and followed a formal statement from the transportation secretary.

The Department of Transportation indicated last month that it would take a more permissive attitude to foreign investment in the airline industry, saying that foreigners could now hold up to 49 per cent of the equity of a US airline and an unlimited amount of debt securities. However, at that stage, the department made no proposal to change existing rules on the subject – which limit a foreign investor's interest to 25 per cent of the voting stock.

US airlines have been extremely badly hit by the Gulf conflict. Last year, their profits were savaged by escalating fuel prices and since the outbreak of hostilities they have also suffered – along with the industry worldwide – from the drop in international travel.

Given that many US carriers had borrowed heavily before the current crisis, their financial predicament has tended to be more acute than that of some European airlines.

Pan Am and Continental Airlines have filed for bankruptcy protection during the past few months and Eastern has ceased operations. There is now concern in the US that further casualties may result, and that competition will be curtailed as a result.

In his statement, Mr Skinner claimed that the current consolidation process gave "no grounds for panic" and that robust competition should persist, even if the number of carriers was reduced.

But Senator Wendell Ford, chairman of the aviation subcommittee, said that Mr Skinner's recent actions would "speed consolidation, stifle competition and restructure the domestic airline industry".

Foster's in German joint venture

By **Kevin Brown** in Sydney and **Katherine Campbell** in Bonn

A LAST minute hiccup has delayed the formal creation of a joint venture between Foster's Brewing Group, formerly Elders IXL of Australia, and Holsten-Brauerei, Germany's fourth largest brewer.

The Hamburg-based group said that "technical problems" had delayed the announcement in Europe although Foster's unveiled the plan in Sydney yesterday.

Mr Peter Bartels, Foster's chief executive, said Foster's lager would be brewed by Holsten in Hamburg in accordance with Germany's traditional Reinheitsgebot (pure beer regulations) which dates back to the early 16th century and is the decree of a Bavarian ruler that beer should only contain hops, barley malt, water and yeast

Foster's beer will be adjusted slightly to German taste and its marketing will concentrate on images of the Australian outback, according to a Holsten executive.

In 1987, the European Court established that Germany should permit the import of foreign beers not conforming to the law, but to date few foreign brewers have dared to court potential disaster with the conservative German palate.

"Germany is regarded as the homeland of beer and is the largest market in Europe, which offers exciting opportunities for Foster's Brewing Group, and considerable long-term potential," Mr Bartels said.

Imported Foster's is already sold in several continental European countries through distribution arrangements, and is brewed in the UK by Courage, and in Sweden by Pripps.

However, Germany is a particularly attractive market because it has the world's highest per capita consumption of beer – 144 litres per person annually compared with 111 litres in Australia.

Holsten will market Foster's in its traditional markets in northern Germany, as well as in east Germany, including Berlin. Foster's will be available from May.

Foster's is the world's fourth largest brewer, and its flagship beer is sold in 80 countries.

Foster's recently announced a fall of A$47m (US$37.3m) in interim net profits to A$107m, and cut the dividend from 8.5 cents to 2.5 cents. The result was at the lower end of market expectations following a loss of A$1.3bn for the year to last June, then an Australian record.

Foster's is disposing of non-core activities acquired by Mr John Elliott, the former chairman and chief executive, as part of a planned restructuring around its Australian, UK and Canadian brewing interests.

INTERNATIONAL COMPANIES AND FINANCE

Deere posts $43m net loss and remains pessimistic

By Martin Dickson in New York

RECESSION, the Gulf crisis and pressure on US food commodity prices were blamed yesterday for a first-quarter net loss of $43.1m at Deere & Company, the world's largest manufacturer of agricultural equipment, which also gave a gloomy profits forecast for the rest of the year.

The company said the operating income of its equipment operations was expected to decline significantly in 1991, compared with 1990, because of lower production volumes and strong price competition.

Deere's loss for the first quarter, which worked through at 57 cents a share, compared with net income of $78.5m, or $1.04, a year ago.

Net sales and revenues dropped 12 per cent to $1.44bn, while worldwide production was 25 per cent lower as Deere pursued its previously announced policy of cutting equipment inventories both held by the company and in dealers' yards.

The production cuts meant a 45 per cent tonnage reduction in the manufacture of lawn and grounds care equipment, compared with the first quarter of last year; a 36 per cent reduction in industrial equipment, 21 per cent in North American agricultural equipment, and 20 per cent in equipment overseas.

North American retail sales of lawn and grounds care products and industrial equipment were down on a year ago, as were overseas retail sales. However, retail sales of agricultural equipment in North America increased modestly.

Mr Hans Becherer, chairman, said Deere would continue plans to reduce inventories and 1991 production schedules were lower in all equipment categories than last year.

Worldwide production, in tonnage, was scheduled to be down about 15 per cent for the year.

However, he added that production schedule declines during the remainder of the year should moderate, enabling the company to operate at a relatively more efficient level throughout the final three quarters. Production tonnage was expected to be down about 12 per cent for all of the rest of the year.

Harley-Davidson earnings rise

By Karen Zagor in New York

HARLEY-Davidson, the only US manufacturer of motorcycles, yesterday turned in improved earnings for 1990 in spite of lower profits in the fourth quarter. The company also said it had reached a three-year labour agreement with its machinists' union after a two-week strike.

Harley, the only survivor of the 143 US companies which once made motorcycles, had fourth-quarter net income of $3.88m, or 22 cents a share, against $9.63m, or 55 cents, a year ago. Per-share earnings have been restated to reflect a two-for-one stock split in June.

Sales in the quarter fell to $194.3m from $201.6m. Income from continuing operations was $2.95m, or 17 cents, against $6.8m, or 39 cents, in 1989. The decline was attributed to a lawsuit award in California and softness in the recreational and commercial vehicle markets

For 1990, net income was $37.3m, or $2.12, on revenues of $864.6m, against $32.9m, or $1.91, on sales of $791m. Earnings from continued operations grew to $38.3m, or $2.15, compared with $32.9m, or $1.89.

Mr Richard Teerlink, president and chief executive, said: "We have seen no downturn whatsoever in our motorcycle operations, despite the economic slowdown and the Middle East crisis."

During the year, motorcycle and related products had sales of $99.4m, up 20 per cent from the previous year. Worldwide unit shipments of motorcycles rose 6 per cent or by 3,533. However, in the fourth quarter, motorcycle unit sales were virtually flat.

The company said its share of the superheavyweight motorcycle market advanced 3.3 percentage points to 62.1 per cent in 1990.

Exports are playing an increasingly important role at Harley-Davidson which in 1990 exported a record 31 per cent of unit production, against 26 per cent in 1989.

Sales from the defence and other businesses advanced to $28.7m from $21m largely due to a $25.5m contract to make practice metal bomb casing for the US department of defense. Sales from Holiday Rambler, the up-market recreations vehicle maker, bought in 1986 in the hope that loyal motorcycle riders might switch to mobile homes as they became older and richer, fell $19.9m in the latest quarter to $43m, after declining by $17.2m in the last three months of 1989.

The Limited rises 13% despite retail downturn

By Karen Zagor in New York

THE LIMITED, one of the largest US retailers specialising in women's apparel, yesterday turned in a 13 per cent increase in fourth-quarter earnings on sales which rose 10 per cent.

Net income for the 13 weeks ended February 2 was $172.2m, or 48 cents a share, compared with $153.1m, or 42 cents, in the 14-week fourth-quarter of 1989. Sales grew 10 per cent to $1.74bn from $1.58bn.

The Limited, like many other US specialty retailers, has performed well in spite of the recession, which has taken its greatest toll in the department store sector.

For the full year, net income advanced 15 per cent to $398.4m, or $1.10 a share, from $346.9m, or 96 cents, in 1989. Sales rose 13 per cent to $5.25bn from $4.65bn.

The company's Victoria's Secret operations, which sells lingerie, had a particularly good year, achieving record operating income and strong sales. The unit's catalogue business nearly doubled its sales and produced a record rate of operating income for the year.

Liz Claiborne, a large US apparel manufacturer, yesterday surprised Wall Street by unveiling strong sales and earnings for the fourth quarter and whole of 1990 in spite of overall sluggishness in retailing in the US.

In over-the-counter trading in the morning, shares in Liz Claiborne surged $3¼ to $39¼.

In the three months ended December 29, net earnings jumped 37.7 per cent to $56m, or 65 cents a share, from $40.4m, or 46 cents, a year earlier. Sales rose 24.6 per cent to $468.2m from $375.9m.

For the whole of 1990, the company's net earnings grew 25 per cent to $205.8m, or $2.37 a share, from $164.6m, or $1.87, in 1989. Sales rose 22.6 per cent to $1.73bn from $1.41bn.

Sharply lower profits at AECI

By Philip Gawith in Johannesburg

AECI, South Africa's largest diversified chemicals group, recorded sharply lower profits in the year to December following difficult market conditions at home and abroad.

Turnover rose 6 per cent from R4.76bn ($1.88bn) to R5.03bn, but margins declined sharply. Net trading income dropped from R604m to R499m, and attributable income was 23 per cent lower at R238m against R314m in the same period last year. Earnings per share fell 24 per cent to 154 cents, against 203 cents. The dividend was maintained at 87 cents a share.

In November, the directors had forecast that earnings would be "significantly lower". Mr Mike Sander, managing director, had then noted that higher oil prices had increased the price of many oil-related chemical feedstocks and the higher costs were not recoverable in weak markets.

On the year's results, he said all the company's markets had experienced difficult conditions and exports had dropped from 9.5 to 8.6 per cent of turnover. Adverse weather in most summer rainfall areas had also created problems in the agricultural sector. As a result, the normal pattern, whereby AECI's results were better in the second half, had not materialised.

Mr Sander said demand had remained weak in most of their markets.

Hewlett-Packard up 10% on overseas sales growth

By Louise Kehoe in San Francisco

HEWLETT-Packard, the US computer and electronics manufacturer, reported improved first-quarter earnings with revenues boosted by strong sales growth outside the US.

Revenues for the quarter rose 10 per cent to $3.4bn from $3.1bn in the first quarter of fiscal 1990.

US sales revenues were $1.5bn, up 2 per cent, while international sales rose 16 per cent to $1.9bn.

Net earnings for the quarter were $205m, or 83 cents a share, up from $173m, or 72 cents, in the corresponding period a year ago.

New orders received during the quarter are valued at $3.7bn, an increase of 12 per cent over orders in the first quarter of fiscal 1990.

Mr John A. Young, president and chief executive officer, said: "We're seeing the benefits of our new product programs and on-going initiatives to realign our expense structures." He noted that first-quarter orders for multi-user UNIX-system-based computers were up sharply and that these products have become a sizeable business for Hewlett-Packard.

Work-station sales were also strong, Mr Young said. "We're regaining momentum in the work-station market, and in the second quarter new products should generate even more interest from the market place," he said.

Hewlett-Packard is expected to launch a new range of workstations next month. "Our primary goal for the year is to continue to improve profitability, and we're going to stay focused on slowing the growth of operating expenses and making sure our organisation is positioned to take every advantage of market opportunities," said Mr Young.

Hewlett-Packard shares were up $5 at $45¼ before the close in New York.

Algoma secures loan of C$60m

By Bernard Simon in Toronto

ALGOMA Steel Corp, the troubled Canadian steelmaker, has staved off collapse for the moment with a C$60m (US$52m) bank loan guaranteed by the federal and Ontario governments and Dofasco, Algoma's parent.

Financing from Royal Bank of Canada will enable Algoma to stay in business while management, trade unions and creditors discuss a comprehensive financial and business restructuring.

The company is expected to survive only if it drops some product lines and its lenders agree to restructure its C$800m debt. Its 7,500-strong workforce will also have to make substantial sacrifices.

Algoma, Canada's third biggest steel producer, has also bought time by obtaining a six-month court order protecting it from its creditors. It is halting all payments on its debentures and preferred shares.

It lost C$108m last year, excluding an estimated C$600m in write-downs and restructuring charges. Dofasco, which bought Algoma from Canadian Pacific three years ago, recently wrote off its entire C$700m investment in the company.

The first element in a restructuring was announced last week with the sale of a West Virginia coal mining subsidiary for US$1000m. Part of the proceeds will be used to pay off the Royal Bank loan.

Suitors take their marks for Mexico's banking sell-off

Damien Fraser on a comprehensive privatisation

MULTIBANCO Mercantil de México, Banca Cremi, and Banpaís will be the first group from Mexico's 18 state-owned banks to be privatised.

The three small, multi-regional banks have an estimated combined value of up to US$300m, against a total market value of almost US$6.5bn for the country's 18 banks.

Mexico's finance ministry claims each of the three banks has at least two suitors, and as many as nine Mexican brokerages and some industrial groups are thought to be interested in buying them.

Investors will have until March 11 to register interest in buying the banks, and make a deposit. The finance ministry will decide about a week later which groups are eligible to bid; bids will have to be made roughly six weeks later.

If all goes according to plan, the first banks should be in private hands in May, a year after President Carlos Salinas first announced his intention to privatise the country's banks.

Multibanco Mercantil, which has 92 branches, mainly in Monterrey and Mexico City, earned 62,000m pesos (US$210,000) in profits in 1990, and at the end of January had a market value of $92m. The bank, which has maintained its Jewish connections since nationalisation in 1982, may well be sold to one of Mexico's Jewish brokers.

Among the groups reported to be bidding for Multibanco Mercantil are those headed by businessmen Jacobo Zaidenweber, Pablo Brener (of Grupo Xabre), and Rafael Mareyna (of the brokerage Bursamex).

Banca Cremi, with a market value of $116m at the end of January, has most of its 116 branches in Guadalajara and Mexico City. It earned 58,000m pesos last year. A group of Guadalajara businessmen, along with the brokerage Multivalores, look the strongest contenders to buy the bank.

Banpaís will probably be the most difficult bank to sell. Unlike the other two, none of its shares are listed on the Mexican *bolsa* (stock exchange), and it has required substantial government support in the past few years. The bank used to be owned by the Vitro group of Monterrey. Its current shareholders, along with the brokerage Operadora – also part of the Vitro group – will probably bid for it.

Mexico's remaining 15 banks should be privatised before the end of the year. Next on the block will probably be the five, highly-profitable regional banks, with a combined market capitalisation of $665m, and the four remaining multi-regional banks.

The big national banks – Banamex, Bancomer, Serfin, Somex, Comermex and Banco Internacional – which make up over 80 per cent of the value of the banking sector will probably not be sold until the end of the year.

The sale of some of these will be made more tricky by the $5.2bn of credit lines, frozen since August 1982, that they owe to foreign banks. The government hopes individual banks will sort out the valuation of this debt.

While 19 Mexican financial groups have registered interest in bidding for the country's banks, there is as yet no sign of substantial foreign interest, which is limited to 30 per cent ownership of any one bank.

Banque Nationale de Paris, according to the newsletter, *Mexico Service*, will be participating in a bid for Somex. Another French bank and a Canadian are also thought to be bidding for the banks.

In response to this lack of demand, the Mexican government has put off plans to place "C" shares, available for foreigners, on the market.

If, however, the government succeeds in selling its 70 per cent ownership of the banks to Mexican nationals, it should receive $4.6bn this year, enough for a budget surplus.

Israel to sell stake in IDB to Recanatis

By Hugh Carnegy in Jerusalem

THE ISRAELI Government has decided to proceed with the sale of its majority share in Israel Discount Bank (IDB), the country's third largest bank, to its original owners, despite a recommendation by the Bank of Israel that they should be disqualified.

A cabinet sub-committee headed by Mr Yitzhak Moda'i, the finance minister, voted to continue negotiations for the sale of IDB to the Recanati family of Tel Aviv in defiance of the central bank. The Recanatis remained in control of IDB under a preferential share system despite the acquisition of a majority stake by the state in 1983 as part of a bail-out of the banks following a share ramping scandal.

Mr Michael Bruno, the governor of the Bank of Israel, said the Recanatis should not be allowed to resecure their full ownership because Mr Raphael Recanati, the IDB chief, and others face criminal charges of malpractice and fraud arising from the 1983 scandal.

The Bank of Israel is concerned that the state should not hand back what is one of the country's principal financial institutions, which includes one of Israel's biggest private industrial investment groups, to what it regards as discredited ownership.

The government, however, wants to press ahead to keep its long-delayed plans to sell off its bank holdings on track. Its original intention to conduct a contested bid for IDB, the first of the state's stakes to be sold, collapsed when several interested foreign investors pulled out, partly because of a reluctance to invest in Israel at a time of such instability in the Middle East.

RJI plans sale of assets in North America

By Terry Hall in Wellington

ROBT. JONES Investments (RJI), New Zealand's leading property group, is selling all its North American properties to concentrate on opportunities in Australia and New Zealand, Sir Robert Jones, chairman, said yesterday.

RJI has a US and Canadian portfolio with a book value of NZ$211m ($127.8m).

Sir Robert said the sales were expected to realise a profit of NZ$20m. The move was necessary because the North American market was reeling from recession and a massive oversupply. Leasing practices there, unlike Australia and New Zealand, where RJI would now concentrate its operations, could be damaging for commercial building owners in such circumstances.

In a letter to shareholders, Sir Robert also said he will step down as chief executive in October next year.

Abitibi tumbles into red

By Bernard Simon

WEAK markets and numerous special charges pushed Abitibi-Price, the Canadian newsprint producer controlled by Toronto's Reichmann family, to a C$44.6m (US$38.7m) loss last year, against a profit of C$54.2m in 1989.

Per share earnings of 70 cents in 1989 sank to a loss of 68 cents a share. Sales slipped slightly from C$3.3bn to C$3.1bn.

The 1990 figures include extraordinary items totalling C$54.1m stemming from the cost of layoffs, the closure of a Florida stationery retailer and the write-off of preliminary costs on projects which have subsequently been cancelled.

Mr B. Koken, Abitibi's chairman, said that while the balance sheet remains healthy, cash flow is "a real concern." He singled out outlays related to recycling and environmental projects which provide little or no return on investment.

The company, in which the Reichmanns have an 82 per cent interest, cut its dividend last year from 87.5 to 50 cents a share.

Operating profit slid from C$155.7m to C$36.5m last year, including a C$24.6m loss in the fourth quarter of 1990.

Factors contributing to the poor operating performance included a month-long strike at seven of the company's paper mills, the strong Canadian dollar and weak demand.

Newsprint sales and profits fell, despite a price increase last June. Coated paper prices have fallen under the weight of rising European imports in a sagging market. Demand for groundwood papers has been flat, except for high quality grades, used for catalogues and other specialised printing.

Major US dividends - cuts and omissions (cents)

Company	Current	New	Date
Occidental Petroleum	62½	25	Feb 15
CBS	110	25	Feb 14
Unisys Pfd	93¾	-	Feb 12
Donohue	12	6	Feb 7
Goodyear Tire & Rubber	45	10	Feb 7
Maytag	22½	12½	Feb 7
McDonnell Douglas	70½	35	Feb 5
General Motors	75	40	Feb 4
Acme Electric	8	-	Jan 28
Armco	10	-	Jan 27
Sizeler Property Inv	39	25	Jan 27
Rose's Stores	9	-	Jan 25
Roosevelt Financial Group	20	15	Jan 25
Commerce Bancorp NJ	22½	11¼	Jan 24
BayBanks	30	-	Jan 24
United Banks Colorado	5	-	Jan 24
Inland Steel	35	15	Jan 23
BMJ Financial Corp	15	10	Jan 23
Great Bay Bankshares	15	7½	Jan 23
People's Heritage Financial	12½	-	Jan 23
Shawmut National	25	-	Jan 23
Riggs National Corp	31¼	15	Jan 22
BankNorth Group	27	-	Jan 22
Citizen's 1st Bancorp	18	-	Jan 22
NBB Bancorp	23	16	Jan 18
Outboard Marine	20	10	Jan 17
Washington Trust Bancorp	33	20	Jan 15
*Manufacturers Hanover	82	47	Jan 15
Dominion Bancshares	22	11	Jan 15
Inspiration Resources	3	-	Feb 15
Northeast Bancorp	18	-	Jan 14
Casino Partners	28	-	Jan 13
Triangle Corp	5	-	Jan 7
Republic Capital Group	30	-	Jan 7
MNC Financial	29	-	Dec 30
Midlantic	25	-	Dec 19
Citicorp	44½	25	Dec 18
Dime Financial	20	10	Dec 18
First City Bancorp	43½	5	Dec 11
Stewart Information Services	10	5	Dec 10
Fieldcrest Cannon	10	-	Dec 5
Jamesway	2	-	Dec 4
Standard Products	23	12	Dec 3
Bohemia	5	-	Nov 28
Ameritrust	32	16	Nov 25
Fleet/Norstar	35	20	Nov 21
USF&G	73	25	Nov 7
Commercial Bancorp Colorado	9	-	Oct 28
Coachmen Industries	5	2	Oct 23
Bally Manufacturing	7½	-	Oct 14
Chemical Banking	68	25	Oct 11
Chemical Banking Class B	19	7	Oct 11
Traveler's	60	40	Oct 7
Bank of Boston	31	10	Sept 27
USAir Group	3	-	Sept 26
Midlantic Corp	47	25	Sept 21
Chase Manhattan	62	30	Sept 21
Southeast Banking	10	-	Sept 21
Equimark	4	-	Sept 4

*Manufacturers Hanover recommended cut will be decided at the board meeting in March

Compiled by Rivka Nachoma in New York

INTERNATIONAL COMPANIES AND FINANCE

Den Norske Bank plunges with NKr1.292bn losses

By Karen Fossli in Oslo

DEN NORSKE BANK, Norway's biggest commercial bank, yesterday announced net losses of NKr1.292bn ($222m) compared with net profits of NKr103m in 1989, and said that credit losses would continue at high levels this year.

The bank was formed in 1990 out of a merger between Bergen Bank and Den norske Creditbank (DnC), two of Norway's top three banks, and figures for 1989 are based on the two banks' combined results.

DnB's operating profit, before loan losses and taxes, fell to NKr2.542bn from NKr3.58bn. Credit losses increased to NKr3.802bn from NKr3.24bn, but were slightly lower than the NKr3.83bn forecast last month when the bank announced an increase in loan loss provisions for 1990.

Egil Gade Greve: 'The merger is now fully implemented'

The bank said that net interest income fell to NKr4.957bn in 1990 from NKr5.441 a year earlier as a result of sustained high interest levels in the money market and a large number of non-performing loans.

"The annual results were clearly weaker than figures projected . . . for the first eight months of 1990. This was mainly due to increased loan loss provisions and the accompanying reversal of interest income. These developments arose out of new loan loss provisions on certain large corporate commitments in the final month of the year, along with increased losses abroad and a decline in values of real estate and other collateral security," the bank explained.

Mr Egil Gade Greve, DnB's president, said that the merger had contributed so far to reducing group costs by around NKr500m, which will become fully effective this year. "The merger between Bergen Bank and DnC is now fully implemented. The merged bank is much better prepared to meet the challenges ahead than either of the two banks would have been on their own," Mr Gade Greve said.

DnB said it would have to raise NKr2.2bn in core capital; NKr700m this year and NKr1.7bn in 1992.

Swedish bank turns in record SKr4.56bn

By Robert Taylor in Stockholm

SVENSKA Handelsbanken, one of Sweden's leading commercial banks, made a 17 per cent improvement in its operating profit last year with an increase to SKr4.558bn (US$822m) from SKr3.883bn, which is the best performance that the bank has achieved.

Unlike other Swedish banks, Handelsbanken's loan losses last year did not have a negative impact on its overall results. Although they rose to SKr623m from SKr304m in 1989, they are far less than those recorded by SEB and Nordbanken, Sweden's state-controlled bank, that reports its 1990 results today.

An important reason for Handelsbanken's relatively lower loan losses is said to derive from its decentralist organisation which has enabled the bank to retain a much tighter grip on the provision of loans and their repayment.

The more prudent practices that this involves appears to have saved Handelsbanken from some of the riskier ventures funded by other Swedish banks.

Last year's positive performance was also helped considerably, said Handelsbanken, by the beneficial effects of the SKr2bn acquisition of Skanska Banken, the leading regional bank in southern Sweden at the end of 1989 which accounts for SKr131m of the growth in profits. The purchase of the smaller Oslo Handelsbank in May last year has also strengthened the group's results.

Handelsbanken's total assets rose by 33 per cent to SKr366bn from SKr275bn with a strong improvement in its capital base.

While its operating income went up to SKr10.015bn from SKr7.913bn, the bank's total costs increased to SKr5.457bn from SKr4.030bn. The return on capital (after tax) was 22.2 per cent the same figure as last year.

The bank announced that it intended to improve its dividend by 21 per cent with a rise to SKr4.50 from SKr3.73.

SE Banken dips 25% on loan losses

By Robert Taylor

SKANDINAVISKA Enskilda Banken, Sweden's largest commercial bank, suffered a 25 per cent drop in operating profits last year.

The fall to SKr3.312bn ($597.3m), compared with profits of SKr4.444bn in 1989, was due to the substantial loan losses suffered by the SEB group during 1990. These are expected to total around SKr1.9bn in 1990, almost four times more than the figure of the previous year.

SEB is one of a number of leading Swedish banks that were hit badly by the liquidity crisis experienced last autumn among some of the country's financial companies. The bank pointed out yesterday that without those loan losses it would have enjoyed an 8.6 per cent improvement in its profits with an increase of SKr428m for 1990.

SEB's earnings per share (after tax) fell to SKr7.61 from SKr11.56 while the rate of return on equity (after tax) dropped to SKr11.8 from SKr18.2. But the bank also announced an increase in its dividends to SKr3.30 from SKr3 for A and C shares and to SKr4.80 from SKr4.50 for B shares.

At the same time, SEB recorded a 24 per cent growth in its total group assets to SKr453bn and an even better increase of 37 per cent in its bank assets to SKr338bn, mainly as a result of the powerful growth in the bank's foreign currency lending.

The group's operating income went up by 17 per cent last year to SKr12.76bn while its operating costs increased by 24 per cent to SKr7.327bn.

The capital base of the bank was strengthened last year with SKr2.2bn of the group's operating profit appropriations being made to its untaxed reserves for lending purposes. The group's risk capital increased by SKr3bn to reach SKr27.8bn by the end of the year.

SEB said that the credit losses reported of SKr1.421bn consisted of actual losses as well as provision for further possible losses.

It added that a provision had also been made in the 1990 accounts for certain loan commitments in Sweden in light of the country's worsening business conditions. This provision amounts to SKr500m.

Nat Ned chief steps up merger campaign

MR JAPP VAN Rijn, chairman of Nationale Nederland, has virtually ruled out an extension of the March 1 deadline for acceptance of the company's planned merger with NMB Postbank, writes Ronald van der Krol in Amsterdam.

Urging shareholders to accept the offer, the chairman warned them not to count on a second opportunity on the present terms.

At an extraordinary shareholders' meeting, he declined to say what the merger partners would do if they won only a slim 51 per cent majority of acceptances.

He said it was too early to say whether, in this case, Nat Ned's share listing on the Amsterdam bourse would be maintained. Although the two merger partners have said they hope to win acceptances of 90 per cent, they may press ahead with only 51 per cent.

The meeting, which featured criticism of the merger by mainly small investors, centred on the grey area between 51 and 90 per cent of acceptances.

Mr Robert de Haze Winkelman, director of the Dutch shareholders' association, VEB, said: "Because of their fears, shareholders will be forced to tender their shares if they'd rather not."

He disclosed that the VEB, together with unidentified Dutch institutional investors, planned to launch a newspaper advertising campaign in which shareholders would be urged to register their intentions with the VEB ahead of the March 1 deadline. The VEB plans to publish its findings on February 28, a day before the share swap offer expires.

Mr de Haze Winkelman said if more than 50 per cent of shareholders were against the merger, their shares would not be tendered. He said that this was, in effect, a proxy situation, which is unusual by Dutch standards.

Aegon, the Dutch insurer which has a 10 per cent stake in Nat Ned and which has fiercely opposed the merger, is believed to be one of the supporters of the VEB campaign.

The merger plans between Nat Ned and NMB Postbank have provoked controversy since they were first announced on November 5. Nat Ned shareholders argue that the complicated share swap offer undervalues their shares compared with those of NMB Postbank. Nat Ned is the largest insurer in the Netherlands, while NNB Postbank is the country's third largest bank.

Cap Gemini Sogeti up 17%

CAP GEMINI Sogeti, the leading French computer services and consulting group, said yesterday its 1990 net profits rose by 17 per cent to around FFr615m (US$121m), writes George Graham. The group, whose turnover rose by 30 per cent to FFr9.2bn, said its profits would have reached FFr660m had it not been prevented by the Gulf crisis from tapping the financial markets in order to refinance major acquisitions it made last year.

Cap Gemini, which ranks first in the European computer services industry, paid £199m last July for a 69.5 per cent stake in Hoskyns, the largest UK computer services group, and then spent £39m on Scientific Control Systems in Germany.

UAP joins other insurers in big European venture

By George Graham in Paris

UNION DES Assurances de Paris (UAP), the leading French state-owned insurance company, has formed a joint venture company with three big European financial institutions to sell life insurance products.

The new company, PanEuroLife, is the first significant result of UAP's policy of building large minority shareholdings in other European insurance companies. It brings the French group together with Sun Life in the UK, in which it now owns 27.6 per cent, and Royale Belge, in which it owns 34.1 per cent.

UAP will take 30 per cent of PanEuroLife, while Sun Life and Royale Belge will take 20 per cent each, as will the fourth partner, Banque Internationale à Luxembourg (BIL).

Mr Benoit Jolivet, executive chairman of UAP International, said the remaining 10 per cent of PanEuroLife's LuxFr615m ($20.1m) capital had not yet been attributed. Victoire-Colonia, the Franco-German insurance group controlled by France's Suez group, in which UAP owns a 34 per cent interest, had been approached.

The new company, based in Luxembourg, will offer a combined single premium insurance policy containing a choice of unit-linked or guaranteed minimum return funds.

Finance head to leave Hoesch

By David Goodhart in Bonn

MR Hero Brahms, finance director of German steel and engineering group Hoesch, is leaving the company after the supervisory board decided last week to look outside for a new chief executive.

Mr Brahms was backed for the chief executive post by some of the shareholder representatives on the board but rejected by the trade union representatives and by Mr Herbert Zapp, the chairman of the supervisory board.

Mr Guenter Flohr, Hoesch sales director, had been the favoured candidate of Mr Zap and the representatives of the workforce who hold 10 out of the 21 seats on the board.

Yorkshire buys 19.07% stake in Tyne Tees

By Alice Rawsthorn in London

YORKSHIRE TELEVISION has acquired a 19.07 per cent stake in Tyne Tees Television, its neighbouring independent television contractor, from the Vaux brewing group for £5.1m ($9.9m).

The emergence of Yorkshire as a significant minority shareholder in Tyne Tees may pave the way for the two to merge their television operations early next year if they both succeed in retaining their franchises in the forthcoming auction of Channel 3 independent television licences.

Yorkshire, which has a substantial cash pile of more than £20m, is funding the transaction from its own resources. It is buying 1.98m Tyne Tees shares from Vaux for 260p each. Tyne Tees' shares fell by 4p to 285p on the announcement. Yorkshire's shares were unchanged at 244p and Vaux's fell by 4p to 214p.

Originally Yorkshire considered forming a consortium to compete against Tyne Tees for its franchise. However, Mr Clive Leach, Yorkshire's managing director, said it had instead decided to support Tyne Tees' reapplication.

He said the two companies – which have a large area of overlap between their franchise boundaries – would consider merging later this year assuming they both retained their franchises. Historically Yorkshire and Tyne Tees were linked through Trident, their joint holding company, until the start of the present ITV franchises.

After yesterday's transaction Media and Airtime Sales, a subsidiary of Yorkshire, will take over responsibility for Tyne Tees' advertising sales. This will involve the loss of up to 30 jobs from the Tyne Tees advertising department.

Tyne Tees has cut staff by 50 per cent in three years to a workforce of 350. It is joining forces with Zenith, the independent programme production company controlled by Carlton Communications, for the franchise reapplication.

If Yorkshire takes over Tyne Tees, further savings will be gained by combining administrative areas. Mr David Reay, Tyne Tees' chief executive, said he had "no objection in principle" to the prospect of the merger which could provide "significant advantages" for both companies.

INTERNATIONAL CAPITAL MARKETS

US Treasuries slumber as dealers await Gulf news

By **Patrick Harverson** in New York and **Tracy Corrigan** in London

THE US bond market slumbered yesterday morning as dealers and investors remained on the sidelines awaiting news about the Soviet-inspired Gulf peace proposal, the economy and the latest Treasury auction.

At midday, the benchmark 30-year bond was up ⅛ at 98⅞, to yield 7.971 per cent. In contrast, the two-year note was lower at the half-way stage, down ⅛ at 100¼, yielding 6.840 per cent.

The weakness at the short end suggested that the market was less confident than last week that the Federal Reserve would cut interest rates soon. If the Fed is to ease policy, it is likely to do so after the next set of economic figures is released, starting with the consumer price index for January, which is due out today.

If consumer inflation is seen picking up faster than expected, the Fed may choose to wait until the latest employment report is published early next month before deciding whether the economy needs another boost in the form of a discount rate cut.

The Gulf war was also weighing on minds yesterday. If a peaceful solution is found before a ground war starts, there could be implications for the US economy, and for monetary policy. Thus, market participants were unwilling yesterday to commit themselves until they had a better idea whether peace was likely.

Demand was further limited by the Treasury auctions due this week, with $19.5bn of bills scheduled for sale later yesterday, $12bn of two-year notes today and $9bn of five-year notes lined up for tomorrow.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	104-00	+04/32	10.69	11.00	11.46
		9.000	03/00	94-25	+0/32	9.89	10.01	10.28
		9.000	10/08	94-12	-06/32	9.65	9.77	9.92
US TREASURY *		7.500	02/01	99-23	-05/32	7.79	7.77	8.04
		7.875	02/21	98-27	-07/32	7.98	7.98	8.20
JAPAN	No 119	4.800	6/99	90.1986	-0.144	6.63	6.68	6.78
	No 129	6.400	03/00	100.7624	-0.058	6.27	6.38	6.53
GERMANY		9.000	01/01	105.0000	-0.300	8.24	8.46	8.85
FRANCE	BTAN	9.000	02/96	99.1191	-0.039	9.22	9.48	10.13
	OAT	9.500	01/01	103.3100	-0.040	8.97	9.17	9.65
CANADA *		10.500	03/01	106.9500	+0.200	9.41	9.46	10.05
NETHERLANDS		9.250	11/00	104.8100	-0.120	8.50	8.71	9.16
AUSTRALIA		13.000	07/00	109.2985	+0.119	11.36	11.36	11.94
BELGIUM		10.000	08/00	105.7500	+0.050	9.06	9.07	9.71

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

OPENING European bond markets adopted an optimistic tone, as speculation that Iraq might soon start to withdraw from Kuwait prompted some buying interest early in the day. But markets fell back later as hopes of an early settlement of the Gulf war faded.

■ IN THE German bond market, the bund future on the London International Financial Futures Exchange rose as high as 86.66 before falling back to 85.92, down 30 basis points from Monday's closing level. The market was not helped by expressions of concern about wage settlements in the monthly Bundesbank report.

■ A 10 BASIS point cut in the key Dutch money market interest rate was too small to affect the performance of the Netherlands bond market, which tracked activity in German bunds. The token easing was possible because the guilder is relatively strong against the D-Mark, according to Mr Robin Marshall, international analyst at Chase Investment Bank. Prices in the new state bond tender ended little changed.

■ PRICES in the UK gilts market ended ½ point lower, losing slight early gains. The short end outperformed the long end of the market, perhaps on the premise that it stands to benefit more from any further cuts in interest rates. The Bank of England let out more of its latest tap issue of £500m, announced on Friday, into the markets.

■ THE French market also lost gains of ½ point to end unchanged from Monday's close.

Morgan Stanley closes HK unit

MORGAN Stanley, the US financial group, has closed its Hong Kong international equities division and laid off its eight brokers, Reuter reports from Hong Kong.

Mr Andrew Liu, the local managing director, said the company was reviewing staffing levels in Hong Kong but that the company's equity services would be handled by other departments there.

"We are reorganising our sales and trading activity in relation to south-east Asian equities," he said.

Analysts blamed the cutback partly on a drop in business between the Hong Kong office and New York.

They said some overseas broking houses which had been trying to penetrate the Hong Kong market had been hit by the low average daily turnover over the Christmas period of about HK$450m (US$58m).

Turnover has picked up since the outbreak of the Gulf war. On Monday, HK$1.89bn-worth of shares changed hands.

Analysts estimate that at average turnover of about HK$1.1bn, brokerage houses start to make enough money to cover overheads, although one said: "The fewer houses there are, the more there is to go round."

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on February 19

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101¼	102¼		7.91
ALBERTA PROVINCE 9 3/8 95	600	104¾	105		8.13
AUSTRIA 8 1/2 00	400	100⅛	100⅜	-⅛	8.43
BANK OF TOKYO 8 3/8 96	100	99⅛	99⅝	-⅛	8.58
BELGIUM 9 1/8 92	400	102¼	102⅝	+⅛	7.50
BFCE 7 3/4 97	150	98⅛	98⅝	+⅛	8.15
BNP 8 5/8 94	300	102	102⅜		7.91
BP CAPITAL 9 5/8 93	150	103	104		7.85
CANADA 9 96	1000	104⅛	104¼		7.88
CARCO 9 1/4 96	650	98¼	99½	+¼	9.53
CCCE 9 1/4 95	300	104⅜	104¾	-⅛	7.94
COUNCIL EUROPE 8 96	100	99½	100	+⅛	8.10
CREDIT FONCIER 9 1/2 99	300	106	106⅜	-⅛	8.44
DENMARK 0 98	250	54⅝	55¼	-⅛	8.44
DENMARK 8 1/4 94	150	101⅛	101⅜	+⅛	7.84
ECSC 8 1/4 96	193	100⅝	101	-⅛	8.10
EEC 7 1/4 93	250	99⅝	100⅛	-⅛	7.45
EIB 7 3/4 96	250	98¾	99¼		8.00
EIB 9 1/4 97	600	104⅝	104⅞		8.31
ELEC DE FRANCE 9 98	200	103⅝	104⅛	+⅛	8.30
EUROFIMA 9 1/4 96	100	103¾	104⅛		8.31
EXPORT DEV CORP 9 1/2 98	150	105⅞	106⅜		8.39
FINLAND 7 7/8 97	200	97½	98½	+⅛	8.42
FINNISH EXPORT 9 3/8 95	200	104¾	104⅞		8.19
FORD MOTOR CREDIT 9 1/2 93	300	101⅜	101⅞	-⅛	8.86
GEN ELEC CAPITAL 9 3/8 96	300	104¾	105¼	+⅛	8.19
GMAC 9 1/8 96	200	100⅛	100⅝	-⅛	9.09
HALIFAX 9 1/2 93	200	103	103⅜		8.00
IBM WORLD TRADE 7 5/8 93	150	98¼	99	-⅛	8.34
IND BK JAPAN FIN 7 7/8 97	200	96¾	97⅛	+⅛	8.54
INTER AMER DEV 7 5/8 96	200	97½	98		8.19
ITALY 8 1/2 94	1500	102	102¼		7.83
JAPAN DEV BK 8 94	150	100¾	101¼	-⅛	7.71
KANSAI ELEC PWR 10 96	350	105½	106⅛	-⅛	8.61
LTCB 8 5/8 93	150	101	101⅜	-⅛	8.07
NEW ZEALAND 8 93	100	100½	101	+⅛	7.73
NIPPON CRED BK 9 3/4 93	150	103¼	103¾	-⅛	8.24
NIPPON TEL & TEL 9 3/8 95	200	104⅛	104⅜	-⅛	8.13
NORDIC INV BANK 9 93	200	102¾	103¼		7.59
ONTARIO HYDRO 11 5/8 94	200	108¼	110½	-⅛	8.19
OSTER KONTROLLBANK 8 1/8 93	200	101⅛	101⅜		7.44
PETRO-CANADA 7 1/4 96	200	96	96½		8.21
PRUDENTIAL RLTY SECS 0 99	365.216	50⅝	51⅛	+⅛	8.99
QUEBEC HYDRO 9 3/4 98	150	104⅞	105½	+⅛	8.83
QUEBEC PROV 9 98	200	102⅜	103⅛	+⅛	8.53
SAINSBURY 9 1/8 96	150	102⅞	103⅜	+⅛	8.44
SAS 10 99	200	99¾	100½	-⅛	10.12
SBAB 9 1/2 95	500	104⅛	104⅞	-⅛	8.19
STATE BK STH AUST 9 1/4 93	100	102	103¼	-⅛	8.11
SUMITOMO BK CAP MKT 9 3/8 93	150	102¼	103⅛	-⅛	8.19
SWEDEN 8 1/8 94	150	100⅛	100⅜		8.01
SWEDISH EXPORT 9 5/8 93	100	103¾	104⅛		7.48
TOKYO METROPOLIS 8 1/4 96	200	100⅛	100⅝	-⅛	8.18
WORLD BANK 8 3/8 99	1500	101	101⅛		8.38
WORLD BANK 8 3/4 97	1500	103⅛	103⅝	-⅛	8.19
XEROX CORPN 8 3/8 96	100	97¾	98¾	+3	8.85

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	97¼	97¾		8.73
AUSTRIA 6 98	400	85¼	85¾	-1⅛	8.91
CNT 6 1/8 98	200	84⅝	84⅞	+⅛	8.97
CREDIT FONCIER 6 3/4 99	500	87¾	88	+⅛	8.93
DEUTSCHE BK FIN 5 5/8 96	750	89½	89½	+½	8.14
EEC 5 3/8 93	300	94¼	94¾	+1	8.51
EIB 6 1/8 96	300	88¼	88⅝	+1⅛	8.99
EIB 6 7/8 95	300	94⅝	94⅝	+2¼	8.28
EUROFIMA 6 1/4 98	400	84⅜	84¾		9.16
FELDMUEHLE FINANCE 8 99	200	96½	96½	+1	8.57
FERRO DEL STAT 5 3/8 93	500	94⅛	94⅝		8.69
IND BK JAPAN FIN 5 5/8 96	200	85¼	85¾	-⅝	9.19
INTER AMER DEV 7 1/4 99	300	92⅝	92¾	+1¾	8.51
LUFTHANSA INT FIN 5 7/8 98	500	85⅛	85⅝	+⅛	8.75
QUEBEC HYDRO 6 3/4 99	300	88¼	88¾	+1⅛	8.74
SWEDEN 6 1/8 98	300	88	88	+1	8.44
WORLD BANK 0 15	2000	18¼	18¾		7.09
WORLD BANK 5 3/4 96	300	87¼	87½	-½	8.98
WORLD BANK 7 1/8 95	500	94½	94¾	+⅛	8.84

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	92	94	-½	6.74
AUSTRIA 4 5/8 98	100	90	91	+1	6.45
CHUJITSUYA 7 3/4 95	50	103¼		+¼	6.88
COUNCIL EUROPE 4 3/4 98	250	90	90½	-⅛	6.58
EEC 5 1/2 00	100	90	91½		6.94
EIB 5 3/4 93	100	98½			6.36
ELEC DE FRANCE 7 1/4 06	100	104½	104¾		6.76
FINLAND 5 3/8 95	150	95		-1½	6.64
GENERAL MOTORS 7 1/2 95	100	102	102½	+½	6.92
JAPAN DEV BK 5 1/2 94	100	97	98	-⅛	6.64
NEW ZEALAND 4 7/8 99	200	89	89½	-½	6.70
QUEBEC HYDRO 5 08	100	81	81¼	+¼	6.93
SKANDINAVISKA ENSK 6 1/2 95	100	100	101	+½	6.49
WORLD BANK 5 03	150	86	86¼	+½	6.68
WORLD BANK 7 1/4 92	100	100	100½		7.20

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	95⅛	95⅝	+⅛	6.64
CANADA 4 3/8 92	80000	96¼	97		6.95
CREDIT FONCIER 5 1/4 94	20000	95	95½	+⅛	6.77
DENMARK 7 95	40000	101⅛	101⅝		6.59
EIB 4 5/8 94	40000	94⅜	94⅝	+⅛	6.62
GENERAL ELECTRIC 5 3/4 93	35000	96⅞	97⅜	-⅛	7.39
INTER AMER DEV 7 1/4 00	30000	104⅛	104⅝		6.63
ITALY 5 3/4 92	150000	98¾	99¼		6.96
KANSAI ELEC PWR 4 5/8 94	60000	94⅛	94⅜	+⅛	6.72
NIPPON TEL & TEL 5 7/8 96	50000	96¼	97		6.58
NORWAY 5 1/8 95	50000	94¼	95		6.62
SWEDEN 5 5/8 95	20000	96	96½	+⅛	6.65
WORLD BANK 6 3/4 00	50000	101½	101¾		6.52

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	91¼	92¼		9.93
KREDIETCORP 7 93 LFr	1000	93¾	94¾		9.88
WORLD BANK 8 96 LFr	1000	94½	95½	+½	9.38
AMRO BANK 6 1/4 92 Fl	150	94¾	95⅝		10.07
RABOBANK 5 3/4 93 Fl	150	92⅛	93⅛		10.08
ALBERTA PROVINCE 10 92 C$	500	100⅛	100⅝	+⅛	9.81
BCE INC 9 5/8 93 C$	300	98⅝	99⅛		10.32
BELL CANADA 10 5/8 99 C$	150	101½	102	+⅛	10.33
BRITISH COLUMBIA 9 1/4 93 C$	150	98½	99		10.09
EIB 10 1/8 98 C$	130	101½	102	+⅛	9.82
FORD CREDIT CANADA 10 94 C$	100	98¼	98¾		10.58
GENERAL ELECT CAP 10 1/4 93 C$	175	101	101½	+⅛	9.75
MONTREAL TRUSTCO 8 1/2 92 C$	100	97⅝	98¼	+⅛	10.62
ONTARIO HYDRO 10 7/8 99 C$	500	103⅛	103⅜		10.28
QUEBEC PROV 10 1/2 98 C$	200	100⅝	101⅛	+⅛	10.36
ROYAL TRUSTCO 10 1/4 93 C$	100	98¾	99¼		10.84
SWEDEN 9 3/4 93 C$	250	100	100½	+⅛	9.71
AUSTRIA 7 3/8 93 Ecu	125	94¼	95¼	-⅛	10.53
CNT 7 3/8 93 Ecu	250	93⅝	95¼	-⅛	10.52
CREDIT LYONNAIS 9 96 Ecu	125	96⅜	97⅜	+1¼	9.84
DENMARK 7 5/8 96 Ecu	250	90¾	91¾	+⅛	9.95
EEC 7 5/8 94 Ecu	200	96¼	96¾	+⅛	9.10
EIB 10 97 Ecu	1125	104⅜	104⅝		9.02
ITALY 10 3/4 00 Ecu	1000	108¾	109¼	-⅛	9.26
SWEDEN 7 1/2 93 Ecu	250	93	94½	+⅛	10.54
BMW FINANCE 14 1/2 92 AS	100	102¼	102¾	+⅛	12.33
COUNCIL EUROPE 13 93 AS	50	101	102	-⅛	12.40
EKSPORTFINANS 12 3/8 95 AS	75	102¾	103¼	+⅛	11.48
FORD CRED AUST 13 93 AS	50	99½	100⅛	-½	13.27
ICI 15 1/2 92 AS	100	103¼	104	+⅛	12.44
MCDONALDS CANADA 15 95 AS	100	107½	108¼	+⅝	12.60
NAT AUSTRALIA BANK 14 3/4 94 AS	150	106¼	106¾	+½	12.18
STATE BK NSW 14 1/4 99 AS	100	107½	108	+⅛	12.73
VOLKSWAGEN INTL 15 94 AS	100	106⅛	106¾	+½	12.45
ABBEY NATL TREAS 13 3/8 95 £	100	105¾	106⅜	+⅛	11.47
BARCLAYS JERSEY 9 1/2 93 £	250	96	96⅜	+½	11.69
BRITISH GAS 12 3/4 95 £	150	105⅝	106	+⅛	10.93
DEUTSCHE BK FIN 11 94 £	225	100¼	100⅝	+⅜	10.88
EIB 10 97 £	300	97⅛	97½	+⅛	10.67
FORD CREDIT FUNDING 9 5/8 93 £	50	94⅝	95⅛	+⅛	12.59
INTER AMER DEV 11 3/8 95 £	75	102	102⅜	+⅛	10.73
ITALY 10 1/2 14 £	400	95½	96	-⅛	11.03
LAND SECS 9 1/2 07 £	200	81¾	82¼	-⅛	12.09
LEEDS PERMANENT 9 1/4 93 £	50	94⅝	95¼	-⅛	12.03
NORWAY 10 1/2 94 £	200	99⅛	99½	+⅛	10.86
ROLLS-ROYCE 9 5/8 93 £	150	94⅞	95⅜	+⅛	12.18
SAINSBURY 10 7/8 93 £	100	98⅝	99⅛	+⅛	11.69
SKANDINAVISKA ENSK 13 1/8 95 £	100	104¾	105¼	+1	11.58
WORLD BANK 11 1/4 95 £	100	101¾	102¼	+⅜	10.68
ABBEY NATIONAL 0 96 NZ$	100	50⅝	51⅛	+⅛	12.96
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	101⅛	102¼	-⅛	12.44
AIDC 7 7/8 93 FFr	600	96	96⅜	+⅛	9.64
CREDIT LYONNAIS 10 95 FFr	2000	101⅛	101⅝	+⅛	9.64
EURATOM 7 5/8 98 FFr	500	91⅛	91⅝		9.33

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.70	99.90	14.1250
ALBERTA PROVINCE 1/32 93	500	99.98	100.08	7.5938
ALLIANCE & LEICS 0.08 94 £	300	99.15	99.20	14.1425
BANCO ROMA 0.03 01	200	90.00	92.00	7.9363
BANCO SANTO SPIRITO 93	200	99.56	99.66	8.4375
BELGIUM 1/16 97 DM	500	99.95	100.08	8.8125
BFCE -0.02 96	350	100.00	100.10	7.7925
BNP 05	300	97.08	97.38	7.4375
BRITANNIA 1/10 96 £	150	98.75	98.80	14.1625
CCCE 06 ECU	200	99.97	100.07	10.0000
CITIZENS FED 0.15 96	100	99.40	99.63	8.2125
COMMERZBK O/S FIN 99	200	99.69	99.79	6.5625
DENMARK -1/8 96	1000	99.08	99.18	8.0000
ELEC DE FRANCE 1/8 99	400	100.00	100.38	8.3750
FERRO DEL STAT 94	200	100.56	100.66	8.2500
HALIFAX 1/10 94 £	200	99.40	99.45	13.6000
HILL SAMUEL 1/4 PERP	75	82.25	85.25	8.5000
MITSUI FIN ASIA 1/8 96	100	98.90	99.00	8.1875
MORGAN (JP) 1/4 97	250	97.75	98.75	8.4375
NAT WEST FIN 3/16 05	400	90.00	91.50	8.3125
NEW ZEALAND 93	500	99.67	99.77	8.0625
QUEBEC PROV 01	300	96.83	97.03	8.1250
RENFE 98	500	99.93	100.03	7.8750
SOCIETE GENERALE 96	300	99.10	99.20	8.0000
STATE BK VICTORIA 0.05 99	125	98.28	98.53	7.8625
UNITED KINGDOM -1/8 96	4000	100.04	100.07	7.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	110½	111½	+20.73
ASDA-MFI 4 3/4 02 £	100	1.64	112¼	113¼	+43.82
BURTON GROUP 4 3/4 01 £	110	3.15	112⅝	114⅜	
EASTMAN KODAK 6 3/8 01	300	50.67	101⅝	102½	+11.20
GOLD KALGOORLIE 7 1/2 00	65	1.0554	55¼	56¼	+48.09
GOODYEAR TIRE 6 7/8 03	150	80¼	61¼	63	
GRACE (WR) 6 1/4 02	150	42¼	87½	88½	+23.38
GRAND MET 6 1/4 02 £	100	6.58	113¼	114⅝	+0.97
HAWLEY 6 02 PREF	400	1.91	96⅝	99	+39.51
HILLSDOWN 4 1/2 02 £	150	4.16	104⅞	105½	
INTL PAPER 5 3/4 02	200	68½	101¼	102⅛	+7.11
LAND SECS 6 3/4 02 £	84	6.72	91	92¼	+9.20
MITSUBISHI BK 1 3/4 02	300	2727.1	101½	103½	-3.07
OGDEN 6 02	85	39.077	75	76	+33.98
PACIFIC DUNLOP 6 3/4 97	75	3.749	113¼	114¼	-0.53
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	82¾	83¼	+68.31
THORN EMI 5 3/4 04 £	103	7.45	109⅛	110⅛	+21.62

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Rallies draw convertibles out across the world

RALLIES in the world's main stock and bond markets are preparing the ground for the re-emergence of new convertible bond issues, according to securities houses in London.

The US market is leading the way: the calendar for new equity and equity-linked bond issues is growing quickly and meeting investor appetite, though the growth is modest and selective by the standards of the late-1980s bull markets.

Stephen Fidler finds a clutch of new issues planned to take advantage of rising prices

Recent additions to the US calendar include convertibles for The Price Company, a discount retailer, through Lehman Brothers and Merrill Lynch, and a perpetual convertible preferred stock issue for the Barnett Banks of Florida, on which First Boston is running the books.

Morgan Stanley – which led a $150m Euro-convertible for American Brands last week – is also to manage a $110m convertible for Comcast with an offering of 3½m new shares to raise about $50m.

Expectations are high that more convertibles are soon to emerge in the international markets.

INTERNATIONAL EQUITY ISSUES

The issue which paved the way was a $325m convertible for Freeport McMoRan, the New Orleans-based mining and energy group, through Goldman Sachs and Lehman Brothers. The company, which had announced its intention to call for redemption this year of $215m of convertibles due in 2013, raised $258m through the issue of original issue discount (OID) securities.

The offering, which was convertible into shares at an 18 per cent premium to their market price, was the first of a series of OID convertibles to be launched in the US, the latest of which is the Comcast issue. Discount bond issues provide tax advantages for issuers in the US not available, for example, to companies in the UK.

Although the 10-year bonds were registered in the US, syndicate managers claimed that more than 20 per cent was sold outside the US.

However, reflecting continued caution among investors, most convertibles carry a 10-year maturity – short for convertibles. Given the poor performance of many convertibles issued in recent years, investors are also concerned about credit quality.

In the absence of significant new issues in the international markets since the middle of last year, there has been a developing shortage of convertibles. Of those that have not been converted, many issues have been called early for redemption.

Where share price performance has been weak – and the conversion into shares thus looks unlikely – many issues are trading not like equity but like corporate debt. This means they tend not to benefit from equity market rallies, so may not be an ideal investment.

Mr Mark Hantho, syndicate manager at Morgan Stanley International in London, also says that the flexibility of issuing convertibles rather than straight equity may help to encourage companies to issue the former. Being able to respond quickly "allows them to take advantage of the market," he says.

Many bankers in the US will be watching the Barnett Banks perpetual issue closely. If it succeeds, it may allow others access to a source of scarce Tier I capital.

The Florida bank's debt is rated BBB and the $100m issue is expected to carry a coupon of between 8½ and 8¾ per cent and a conversion premium of 20 per cent.

Some investors are presently re-rating banks: it remains to be seen whether this re-rating is sufficient to open a door for new capital for US banks.

INTERNATIONAL CAPITAL MARKETS

Italy takes Ecu deals into uncharted 20-year maturity

By Simon London

ITALY yesterday took its turn to push back the frontiers of the Ecu bond market, launching a Ecu2.5bn 20-year deal in the international sector.

The deal was launched at Ecu2bn but later increased by Ecu500m. The paper will be priced today, but lead manager Paribas Capital Markets indicated a yield spread of between 8 and 12 basis points over Italy's outstanding 10¾ per cent Eurobond maturing in 2000. Last night, the 10-year issue was yielding 9.26 per cent.

Like Belgium's five-year Ecu bond issue on Monday, the Italy deal sets a benchmark outside the established seven- to 10-year maturity range favoured by borrowers in 1990.

However, while the Belgian deal could be priced against outstanding five-year paper, Italy's is the first Ecu bond issue of 20-year maturity. The pricing of the deal takes the developing Ecu yield curve into uncharted territory.

Dealers also noted that the long maturity of the paper would make it difficult to hedge, as there are no issues of comparable maturity against which holdings of these bonds can be hedged. The Ecu bond futures contract on the Matif, the Paris futures exchange, and the London International Financial Futures Exchange contract to be launched next month, accept paper only of up to 10-years' maturity in settlement.

Hence the issue could be more volatile than shorter-dated securities if Ecu bond yields begin to rise.

Co-managers reported an initial enthusiastic response from natural long-term holders of paper including pension funds and insurance companies. However, demand tailed off after the size of the deal was increased and the 22-strong syndicate may have to work hard to place the full amount.

Elsewhere, Ontario Hydro launched its second global bond offering, a C$1bn 10-year deal lead managed by Merrill Lynch. The deal will also be priced today, at an indicated yield spread of between 65 and 67 basis points over Canadian government paper.

Last year, Ontario Hydro launched a C$1.25bn five-year global deal at a spread of 65 basis points over comparable Canadian Treasury notes.

In the Eurodollar sector, KFW International, the financing subsidiary of the German investment and project finance institution, came with a $250m seven-year deal.

Yesterday's offering carries a coupon of 8½ per cent and was priced at a yield spread of 51 basis points over comparable US treasury stock.

The European Investment Bank added Y20bn of paper to its outstanding Y80bn issue maturing 2000, making the issue the largest Euroyen bond issue.

The new paper was priced to yield 17.5 basis points over the benchmark Japanese government bond issue No 129, almost identical to the the yield spread on the outstanding paper.

Also in the Euroyen sector, Crédit Local de France came with a Y27bn three-year issue lead managed by Nomura International.

The paper carries a coupon of 6⅝ per cent and was reoffered to investors at a fixed price of par.

INTERNATIONAL BONDS

WORLD BANK IN 10-YEAR GLOBAL OFFERING

THE World Bank yesterday launched its latest global bond offering, a $1.5bn 10-year issue which will be priced today at a yield spread of 41 to 43 basis points over US government paper.

Joint lead managers for the deal are J.P. Morgan and Merrill Lynch International, heading a slimmed-down syndicate of eight co-lead managers.

The deal was launched at the opening of business in New York, early afternoon in London, suggesting that the Bank was keen to see US investors increase their holdings of its paper. However, syndicate managers reported a strong response from European investors.

The last World Bank 10-year global issue was launched in the autumn of 1989 at a spread of 37 basis points over US treasury paper.

The new issue is in line with the current spread on this issue.

The last World Bank global issue, of five-years' maturity, was launched at a spread of 31 basis points over treasuries in September last year.

However, this deal was priced at a yield spread identical to that of outstanding World Bank paper in the secondary market.

The last sovereign-backed *Eurodollar deal was* launched by the Export-Import Bank of Japan last week at a spread of 55 basis points over US treasury stock.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
KFW Int.Finance Inc.(a)◆	250	8½	99½	1998	30/10bp	Deutsche Bk Cap.Mkts.
D-MARKS						
United Mexican States(a)◆	300	10½	100½	1996	2/1¼	Deutsche Bank
V.A.G. Bank GmbH(b)★★†◆	50	(b)	100	1996	-	Deutsche Bank
YEN						
Credit Local de France(a)◆	27bn	6⅝	101 3/16	1994	1⅜/1 3/16	Nomura Int.
EIB(c)◆	20bn	6⅝	100½	2000	-	Nikko Secs.
Japan Air Lines Co.(a)◆	10bn	7	101.85	1996	1⅞/1.7	Nomura Int.
SWISS FRANCS						
Compagnie de St.Gobain(a)◆	150	7¼	102	1998	-	Credit Suisse

★★Private placement. §Convertible. ‡With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Coupon pays 3-month Libor. Non-callable. c) Fungible with existing Y80bn deal.

Japanese trust banks downgraded by S&P

By Tracy Corrigan

THE CREDIT ratings of four Japanese trust banks have been lowered by Standard & Poor's, the US credit rating agency. The banks affected are Mitsubishi Trust, Mitsui Trust, Sumitomo Trust and Yasuda Trust.

The senior long-term debt ratings of Mitsubishi Trust and Yasuda Trust, along with several of their overseas subsidiaries, have fallen two notches to A-plus and to A respectively.

The debt rating of Mitsui Trust Finance (Hong Kong), *guaranteed by Mitsui Trust*, has dropped from AA minus to A plus.

Sumitomo Trust's debt rating has dropped to AA minus from AA. The ratings of Sumitomo's New York and Hong Kong subsidiaries have also dropped a notch.

"These rating actions reflect structural changes in the domestic business environment, which have resulted in *reduced levels of profitability* for all of the rated Japanese trust banks," said Standard & Poor's.

The rating agency pointed out that trust banks fund themselves largely through long-term floating-rate trust products, which make them less vulnerable to further margin pressure due to interest rate deregulation.

However, they will remain *vulnerable to periods of high* interest rates due to their sizeable holdings of fixed-rate investments and the absence of any long-term fixed-rate funding capabilities, S&P said.

● Standard & Poors also downgraded French bank Banque Indosuez' long-term debt from AA to AA minus, citing the company's declining profitability in a difficult banking environment.

The bank is a wholly owned subsidiary of Compagnie Financière de Suez.

S&P also lowered its rating on the Banque Indosuez' certificates of deposit.

The A1 plus rating on the commercial paper of Indosuez North America is unchanged.

Out of the money, into a problem

Tracy Corrigan on Japanese groups facing costly debt refinancing

JAPANESE companies are exploring strategies which would enable them to avoid expensive refinancings of the billions of dollars of equity-linked debt scheduled to mature in the next few years.

The weakness of the Japanese stock market has left many warrants and convertible bonds issued by Japanese companies substantially "out of the money" – that is, their share price has fallen far below the set price at which warrants can be exercised.

Borrowers had counted on investors exercising their subscription rights into new shares to provide them with the funds to redeem the debt portion of these issues, but many warrants are now likely to expire unexercised.

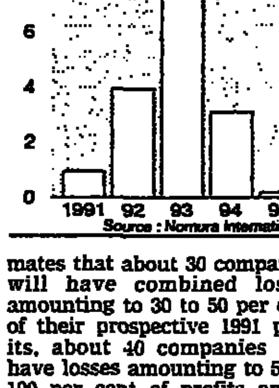
"It is a moderate problem now, but if the Japanese stock market does not recover by 1992-93 it could be a major stumbling block," says Mr Ron Napier, a managing director of Salomon Brothers in charge of equity research.

According to research by Nomura International, redemptions in the three years of 1992 to 1994 could run to Y20,000bn ($154bn).

For companies which issued equity-linked debt in the Swiss market, the weakening of the Japanese stock market has been compounded by the weakening of the yen against the Swiss franc. Further, Swiss franc convertible bonds have put options, allowing investors to demand early redemption of the bonds.

Maturities of existing warrant bonds

Unexercised warrants with negative parities (Yen trillion)



Source: Nomura International

Nomura International estimates that about 30 companies will have combined losses amounting to 30 to 50 per cent of their prospective 1991 profits, about 40 companies will have losses amounting to 50 to 100 per cent of profits and a dozen will have losses of more than 100 per cent of profits.

Some Japanese banks are understood to have talked with Swiss investors in an attempt to find "sweeteners" for their convertible bond issues. The Japanese banks are said to have wanted to extend the maturities of the bonds, but the parties were apparently unable to agree a formula.

There are two other remedies under consideration, both designed to avert expensive refinancing. One was to lower exercise prices to reflect current stock prices, so encouraging investors to exercise their warrants. Because such a change favours investors, it would be allowed by the legal documentation of most transactions. Discussions are said to be in progress.

Such a move would also help prop up the secondary market in which, Nomura International estimates, half the warrants are so far out of the money that they are virtually ignored by investors.

The other option is for companies to produce a spike in their share prices to encourage conversions. To facilitate this, the ministry of finance is encouraging companies to raise their dividend rates.

The economic fundamentals are becoming more favourable, with an easing of monetary policy on the cards. "The long-term growth of the Japanese economy is sustainable, and Japanese corporate profits will continue to rise," says Mr Patrick Howard, an equity warrants analyst at Daiwa Europe.

Some companies are already refinancing by issuing new warrants, sometimes priced at artificially low levels, before their older issues expire.

More controversial tactics, designed to appease investors, have been used by underwriters, such as buying warrants back at artificially high prices shortly before expiry, or allowing investors to switch into longer dated warrants, again easing the financial losses of investors.

Otherwise, unless Japanese companies can call on reserves or retained profits, or sell off assets, issuers will have to borrow to pay their outstanding debt. Their financing costs will soar, since interest rates have risen dramatically over the last few years.

The proceeds of most issues were swapped into fixed-rate yen at interest rates of 1 per cent to 2 per cent. Rates in the domestic convertible bond market are now around 6 per cent, and about 8 per cent in the Euroyen fixed-rate bond market.

Many are likely to turn to the Euroyen fixed-rate bond market and to the Japanese domestic convertible bond market for funds. They may also seek bank financing, but this source of funds is likely to be limited by capital constraints on banks, although life insurance companies could take up some of the slack.

The mainstream equity market will only be accessible if the Japanese stock market rebounds – in which case the need for refinancing will fade anyway.

The recent strong performance of the Japanese stock market has rekindled hopes that a prolonged rally will bail companies out of their difficulties. The Nikkei index of Japanese stocks has recovered to around 26,000, from a level of 20,221 on October 1, the lowest level reached since 1986. However, some warrants were issued when the index was close to 40,000.

Side letters issued by some underwriters

By Tracy Corrigan

SOME lead underwriters of Eurobond issues have entered into side letters, which limit their rights to invoke *force majeure* in the event of severe disruption to the markets, without informing other members of the underwriting group.

The issue of *force majeure* has become contentious because of uncertainty over its application should events in the Gulf make it impossible to close new issues.

Some borrowers have pressed for the use of side letters to reduce the chances of their deals being pulled. Issuers are particularly concerned about the effects of cancellation when a bond issue is accompanied by a currency or interest rate swap.

Swaps are not subject to *force majeure* clauses and are not made contingent on the closing of a related bond issue, according to a memorandum issued by legal firm Milbank, Tweed, Hadley & McCloy.

Mr Cliff Dammers, a senior partner at the firm, thinks that "a lead manager puts itself in a very awkward position from a business and legal perspective, and exposes itself to potential legal liability, if it enters into such a side agreement without informing co-managers, sub-underwriters and selling group members" before they agree to participate in a deal.

An amendment to standard *force majeure* wording can be a compromise acceptable to both issuer and lead manager.

The International Primary Market Association, a trade body, is trying to agree upon recommended standard language for *force majeure*.

Securities firm to join Hungary SE

DAIWA-MKB Hungary, a venture between Daiwa Securities, the Japanese brokerage, and two Hungarian banks, will become a member of Hungary's stock exchange early next month, Reuter reports.

Hungarian securities authorities granted the venture a securities firm licence on February 11. Daiwa-MKB is based in Budapest and capitalised at US$10m. Daiwa owns 49 per cent and the Hungarian Foreign Trade Bank (MKB) 46 per cent. The rest is owned by Central Bank of Exchange and Credit, a subsidiary of The National Bank of Hungary.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Tuesday February 19 1991

[illegible]

FIXED INTEREST

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	63	9	14
Corporations, Dominion and Foreign Bonds	1	6	14
Industrials	445	214	897
Financial and Properties	255	99	397
Oils	27	12	53
Plantations	3	0	7
Mines	45	21	99
Others	54	12	77
Totals	893	373	1,558

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ◆ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Feb. 18
● Last Dealings March 1
● Last Declarations May 30
● For settlement June 10

For rate indications see end of London Share Service

Calls in **Berisford Intl., Brent Walker, BTR warrants '93/94, Business Tech., Cable & Wireless, Control Sec., Costain, Dares Ests., Doctus, FKI, Helene, Lloyds Bank, Markheath Sec., Monarch Res., Rosehaugh and Telfos.** Puts in **Barrett (H), Glynwed, Jeyes, McCarthy & Stone and NatWest Bank.**

LONDON TRADED OPTIONS

THE DERIVATIVE markets continued to adopt a cautious attitude towards UK equities, and yesterday the stock market showed signs of following suit. The gap between equity futures and the FT-SE 100 index narrowed considerably, while in traded options there were signs that the larger institutional players were nervous about the market at its current level.

The March FT-SE 100 index had begun the session attempting to rally following the latest reports of proposals aimed at ending the Gulf war. But after the dashed peace hopes last Friday the market seemed less willing to put much faith in the possibility of the war ending soon.

Several attempts by the March FT-SE to break decisively above 2,350 failed. The derivative markets were then disrupted after the traded options market was forced to close when the stock exchange received a bomb warning. The options market is located in the stock exchange tower.

After the traded options market closed, stock futures drifted lower and further losses occurred as Wall Street weakened.

March FT-SE closed at 2,328, down 17 points on the day. March's lead over the cash index narrowed to 15 points, compared with 27 in the previous session and fair value of around 9 points.

Despite the disruption caused by the bomb threat, dealing levels on the traded options market were down by just more than a third. The day's 25,792 lot turnover compared with 37,148 in the previous session. Call dealing predominated.

Some options specialists noted that the larger institutional investors had been reluctant to sell calls against stock holdings, a trade often executed after a strong stock market advance. "Many seem to be suspicious of this rally and think it may not last," one options seller said.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons	460	64	72	84	4	12	15
(*509)	500	32	42	57	14	25	28
	550	8	21	34	44	54	55
ASDA	120	14½	20	22	4	5½	7½
(*128)	130	7	14	17	7	8½	12
	140	4	7½	-	14	16	-
Brit. Airways	140	20	20	24	5	10	11
(*152)	160	7	9½	15	13	19	21
	180	3½	-	-	29	-	-
SmKl Beecham A	600	93	110	127	3	11	15
(*681)	650	53	75	93	14	24	30
	700	24	47	65	37	47	52
Boots	300	49	54	60	2	5½	8
(*340)	330	26	32	41	7½	15	18
	360	9	17	26	24	30	32
B.P.	300	25	34	40	7	12	15

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Utd. Biscuits	360	18	27	36	13	17	18
(*366)	390	5	-	-	33	-	-
Unilever	700	60	79	95	16	25	28
(*738)	750	25	45	65	40	45	50
Ultramar	300	28	38	45	9	12	15
(*319)	330	13	25	30	22	27	30

Option		Calls Mar	Calls May	Calls Aug	Puts Mar	Puts May	Puts Aug
Elec. Pkg.	1800	100	150	-	40	70	-
(*£1850)	1850	81	120	-	70	100	-
Eastern Elec	160	14	22	24	3	7	12
(*170)	180	5	10	13	13	16	22
Southern Elec	160	20	27	-	3	5	-
(*178)	180	8½	13	-	10	12	-

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit Aero	500	52	60	77	1	14	20

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Amstrad	70	3½	7½	11½	4½	8	10
(*70)	80	1½	-	-	12½	-	-
Barclays	360	32	37	45	9	16	21
(*386)	390	10	22	28	26	32	37
Blue Circle	240	22	28	35	5½	13	18

[illegible]

US interested in buying some Polly assets

By Nikki Tait in New York and Clay Harris in London

CHIQUITA BRANDS, the Cincinnati-based fresh fruit and vegetable group, may be interested in acquiring some of the assets of Polly Peck International's Del Monte bananas and pineapple business.

Polly Peck, the UK-based conglomerate run by Mr Asil Nadir, was placed in administration last year.

According to reports circulating in New York, a Chiquita executive told analysts at a presentation yesterday morning that the US company had offered to pay between $400m (£204m) and $500m for Del Monte's Asian pineapple and banana business.

Polly Peck paid RJR Nabisco $875m for Del Monte's global fresh fruit brands in the autumn of 1989. Chiquita, then called United Brands, was an under-bidder at that time.

Chiquita was reported to have added that it was considering bringing a partner into the proposed transaction. This party was supposedly interested in Del Monte's North American and European brands, as well as distribution assets.

In London, however, a spokesman for two of Polly Peck's administrators said: "The story is completely untrue. Del Monte is not for sale." The administrators have consistently stated they still hope to reconstruct Polly Peck in some form.

No one in Chiquita's Cincinnati head office was prepared to comment, but speculation in New York centred on Albert Fisher Group, the UK fresh foods company, as a possible partner.

Asil Nadir: speculation on Albert Fisher

Albert Fisher has made no secret that it watches the future of Del Monte with interest, but Mr Tony Millar, chairman, said yesterday there was no indication the administrators had changed their minds about the future of the subsidiary.

Albert Fisher was not in talks with Chiquita, he added.

Chiquita markets and distributes bananas under its own name and has other fresh fruit and vegetable operations under the Chiquita, Pascual and certain regional brands.

Last month, Polly Peck's administrators started seeking buyers for its other US food interests, two produce distributors and a commission merchant for growers.

Weisfelds sell Amber Day shareholding for £10.6m

By John Thornhill

THE WEISFELD family has sold its 17 per cent stake in Amber Day Holdings for £10.6m and severed all links with the menswear and discount retailing group.

Gerald and Vera Weisfeld acquired their holding in Amber Day last May in part consideration for the sale of What Everyone Wants, their privately-owned retailing group, for £46.7m.

The sale follows Mr Weisfield's resignation as chairman of WEW last December after a row with Amber Day's board about the future direction of the company.

The Weisfeld's shares were placed yesterday with a wide spread of institutions at 68p compared with the prevailing market price of 73p. Amber Day's shares rose 1p higher at 74p by the close.

Mr Philip Green, chairman of Amber Day, said: "I am personally delighted that there was a good home for the stock and I have no reason to be anything other than confident about the future of the company."

He said that WEW was continuing to perform well and forecast that Amber Day would achieve pre-tax profits of not less than £4.5m (£1.3m) in the six months to January 27, and that the interim dividend would be lifted by over 25 per cent.

Business in the Christmas period had been buoyant, he added, and had remained good throughout January.

When the Weisfields were issued with the Amber Day shares it was agreed that they should hold them for for two and a half years and that they would not receive dividends for that period.

However, Amber Day has waived these conditions and the new shareholders will be eligible to receive dividends.

Mr Weisfeld and his wife have resigned their non-executive directorships in return for a settlement.

Saatchi ready to produce new plan

By Alice Rawsthorn

SAATCHI & SAATCHI, the advertising group, hopes by the end of this week to announce the details of its revised proposals for financial restructuring.

The group has for the past month been in discussions with investors to thrash out a *second set of restructuring* proposals, after the first met fierce resistance from preference shareholders.

Saatchi's lawyers have been finalising details of the new proposals since the end of last week. Yesterday they were still trying to secure all the necessary signatures to the documentation both in the UK and the US. Saatchi hopes to complete the process by the *end of this week.*

The proposals will involve abandoning the original plan of offering Saatchi's preference shareholders a combination of new ordinary and preference shares, in favour of offering them all new ordinary shares.

This means the preference shareholders will emerge with about 80 per cent of Saatchi's *enlarged equity* thereby significantly diluting the stakes of ordinary holders.

Saatchi is also expected to announce that representatives of its two largest preference shareholders – Mr Clive Gibson from St James Capital, part of Lord Rothschild's interests, and Mr Edward Lampert of ESL, the Texan finance house – are joining its board as non-executive directors.

The group plans to raise some £50m from a rights issue, which will replace the £20m bridge fund already negotiated from Donaldson Lufkin Jenrette, its US advisers.

In addition Saatchi intends to continue with plans for a £5m open offer to employees personally underwritten by Mr Robert Louis-Dreyfus, group chief executive.

Thames Water awarded £8m

By Clare Pearson

Thames Water has been awarded £8m in settlement of a dispute with Portals Holdings, the paper making company from which it bought PWT, a water treatment design and contracting business, more than a year ago.

The sum compares with an original claim by Thames that the £30m purchase price should have been cut by £15.1m after PWT's asset value had turned out to be lower than warranted.

However, Mr David Luffrum, finance director, said Thames was "satisfied" with the result.

Following the determination of the dispute by an independent auditor yesterday, Portals has seven days in which to pay the £8m to Thames.

Institutions to the rescue at Geevor

By Kenneth Gooding, Mining Correspondent

INSTITUTIONAL investors have come to the rescue of Geevor, the mining group which has been fighting for survival since the Canadian *Imperial Bank of Commerce* last month called in a £2.1m loan in extraordinary circumstances.

The institutions, already shareholders in Geevor and clients of Smith New Court, the company's financial adviser, will provide £750,000 of new money in exchange for convertible loan notes.

The loan notes, with a 10 per cent coupon payable half-yearly in arrears, will be issued in two tranches, the first of £500,000.

The notes are redeemable at par in 1996 and carry the right to covert into new Geevor ordinary shares at par.

Full conversion will increase the company's issued capital by about 10 per cent. The notes will be secured on the capital of Geevor's wholly-owned Mainband Colliery Company *and an inter-company loan of* about £3.4m due to Geevor by Mainband.

The shareholders who will contribute the money include Fidelity; Midland Montagu; Assicurazioni Generali; Dimensional; Mercury; T&N Pension Funds; James Capel; M&G; and Albert E Sharp.

Some £650,000 will be used to enable Geevor to continue trading at a reduced level of activity while the company continues negotiations for new banking arrangements and, possibly, to find a "big brother" from the mining industry to take a substantial shareholding.

The rest of the money will be reserved for the pursuit of Geevor's legal action in both the UK and the US for damages against CIBC. Mr Mark Wellesley-Wood, Geevor's chairman, *said his company would be* seeking damages of at least £5m.

Mr Richard Barnes, CIBC's head of UK corporate finance operations in London, said last night that the bank – Canada's second largest – was sticking to its policy of not commenting on the business of any client or *former* client.

Geevor's shares were *suspended on February 1 at* 11p, putting a market value of about £4.5m on the company. Dealings in the shares are expected to start again today.

Geevor's interim results, announced yesterday, reflect the restructuring process started when Mr Wellesley-Wood moved in as chairman with a new management team last August.

There was a net loss of £1.36m in the six months to September 30 compared with a profit of £10,000.

The first half of the current financial year included an exceptional exchange loss of £707,000 and an extraordinary profit of £158,000 relating to the partial recovery of a debt previously written off as an extraordinary loss.

Net turnover fell from £2.48m to £1.55m.

The company has reduced its workforce from 185 to fewer than 120 and redundancy costs in the period were £90,000. Geevor's head office at Bawtry, Yorkshire, where seven people are employed, is under notice of closure.

Maxwell Comm director to step down

By Maggie Urry

MR RICHARD Baker, deputy managing director of Maxwell Communication Corporation, the publishing group, is taking early retirement to "pursue his private activities" the company announced yesterday evening.

Mr Baker, who had been with the group for nearly 23 years, *was responsible for* mergers and acquisitions. This area will now be overseen by Mr Jean-Pierre Anselmini, the deputy chairman.

MCC would not reveal Mr Baker's age or how much compensation he might receive for leaving early.

Earlier in the day MCC disclosed that the stake in the group held by Mr Robert Maxwell, his family and the Maxwell Foundation, rose to just over 70 per cent after a put option was exercised against the Foundation *last Friday.* As a result the company becomes a "close" company.

The option covered 30m *shares at a price of 152p, meaning* that the Maxwell Foundation paid the option holder £45.6m for the 4.6 per cent stake in the publishing group.

The Bishopsgate Investment Trust sold the put option in January on behalf of the Maxwell Foundation. The price the Foundation received was not disclosed and the identity of the buyer has not been revealed, although it is understood to be a market maker in MCC shares.

The effect was to give the option holder an incentive to buy up to 30m MCC shares at prices below a figure of 152p less the cost of the option, in the *intervening period,* or to hold on to shares it already owned, knowing that it could sell them at 152p.

During January the MCC share price dipped as low as 138p but quickly recovered to about 150p. Yesterday the shares closed down 1p at 150p.

A similar option, covering 15.7m shares, was sold last August to a market maker in MCC's shares, which was rumoured at the time to be Goldman Sachs. That was exercised in November, and lifted the total Maxwell *holding* in MCC to 64 per cent. In the last accounts, covering the financial year to March 1990, the Maxwell interest was stated at 55.5 per cent.

MCC is planning to float its Mirror Group Newspapers business by the end of June. However, analysts are sceptical that at the present level of the stock market the valuation of MGN will reach recent estimates of between £600m and £1bn.

NEWS DIGEST

First Leisure sells stake in two theatres

FIRST LEISURE, the ten-pin bowling, disco and entertainments group, has sold a 20 per cent interest in its two West End theatres, the Prince of Wales and Prince Edward, to Mr Cameron Mackintosh, a producer of musicals.

Mr Mackintosh has also been granted an option to acquire a further 30 per cent. The consideration is not being revealed but First Leisure said it was based on a valuation of the two theatres in excess of £12.5m, at which they were valued in April last year.

The theatres last year contributed £1.21m (£1.3m) to First Leisure's pre-tax profits of £25.16m (£20.16m).

Throgmorton Dual nav down to 584p

At January 31 1991, net asset value per capital share of Throgmorton Dual Trust had fallen to 584p, against 705p six months' earlier and 753.8p on January 31 1990.

Similarly, asset value per income share had dropped to 27.4p, against 33.4p and 37.6p respectively.

In the half year to January 31 1991 gross income fell to £1.2m (£1.31m) and earnings to 3.67p (4.15p).

There will be four dividend payments this year, and a second interim of 1.75p is declared to make 3.5p to date. It is intended to pay a third interim of 1.75p followed by a final which will at least maintain last year's 8.75p total (interim 2.75p and final 6p).

Weak dollar hits Newmarket Venture

The weakening of the US dollar was a significant factor behind a fall to 56p per share in net asset value at Newmarket Venture Capital at the end of 1990, compared with 63p three months earlier.

Net assets in the same period fell from £22.61m to £19.89m.

Economic conditions faced in the second half resulted in the need to make provisions against a number of unquoted holdings, both in the UK and US. The value of unquoted investments at the year end was £18.11m (£19.67m at September 30), while value of the quoted portfolio also fell – from £1.45m to £1.03m.

Net deficit for the year was £1.2m (£1.31m in 1989).

Gulf crises take toll at TR Pacific

Net asset value of TR Pacific Investment Trust fell by 34 per cent to 66.19p at the end of 1990, against 99.97p a year earlier, as Asian stock markets reacted unfavourably to the Gulf crisis and the value of sterling strengthened against all the region's currencies.

Net earnings for the year were maintained at £354,000 (£351,000) or 0.528p (0.524p) per share, while the recommended final dividend is unchanged at 0.25p.

Hungarian sugar buy for Tate & Lyle

Tate & Lyle, the sugar refining and sweeteners group, is to invest £10m in return for a 30.34 per cent equity stake in Hajdusagi Cukorgyar, a Hungarian sugar beet factory.

The UK company described the factory at Kaba as the most modern in Hungary, accounting for more than 15 per cent of the country's sugar demand.

Tate will also provide management and financial advice.

Net asset value falls at Scottish Eastern

Over the six months to January 31 1991 net asset value at Scottish Eastern Investment Trust fell from 69.5p to 57.8p per share, after prior charges at market value.

Directors pointed out that the strength of sterling exaggerated falls in overseas markets. At end-January 1990 the asset value was 70.4p.

Holdings in the UK and continental Europe rose over the year to 56 per cent and 14 per cent respectively, while exposure to North America was cut to just over 15 per cent.

In the 1990-91 year gross revenue rose from £18.31m to £20.32m. Earnings per share were up from 1.22p to 1.41p and the dividend is lifted from 1.166p to 1.35p, the final being 0.92p.

Salvage attempts at Chancery subsidiaries

By John Authers

SUBSIDIARIES OF Chancery, the financial services company which went into administration on Monday, were "moving very fast" yesterday in an attempt to salvage the company's business in time for the end of the tax year.

Mr David Sherman, marketing manager of Chancery's corporate finance division, admitted that the parent company's troubles, caused by outstanding property loans, "could not have happened at a worse time". The subsidiaries, best known for sponsoring tax shelter investments through the Business Expansion Scheme, can continue trading.

However, Mr Sherman said that the company had asked Salomon Brothers, the US investment bank, to sponsor its growth-assured BES scheme.

Legal opinion was being sought on whether prospectuses of the three other BES companies Chancery is sponsoring could be sent to potential investors, with notes explaining the parent company was under administration.

Investment advisers take these developments as a tacit *admission that the parent's* difficulties have done severe commercial damage.

The trust to invest in enterprise zone property in London's Docklands, which Chancery was about to launch at the end of last week, will probably not now be issued under Chancery's name.

Approach for Merlin Intl

By Vanessa Houlder, Property Correspondent

Merlin International Property yesterday announced that it had an approach which might lead to a takeover.

It said the offer would value the shares at not more than 5p. On the stock market the price rose 1½p to 4p. Directors were unavailable for comment.

Earlier this month Merlin announced a £26m pre-tax loss for the year to June 30. It said it required a cash injection of at least £7m, pending the receipt of deferred payment from Australian disposals later in the year.

A plan to convert preference shares into ordinary shares and refloat UK subsidiaries to obtain additional finance had failed because a bank refused a six-month extension to a mortgage facility. Mr Dursley Scott, chairman, resigned after the results.

Merlin grew rapidly in 1987 when it raised £38m in a rights issue and expanded in the US and Australia. It quickly overextended itself and embarked *on a large disposal programme* in 1989.

Andrew Jack looks at how the Gulf war has hit passenger travel and freight carrying

Duty free shops affected by airline traffic decline

COMPANIES WHICH service international airlines are starting to feel the sharp effects of cancellations and steep decline in passenger traffic brought about by the Gulf war.

As the number of flights to the Middle East has fallen and many travellers to other destinations have decided to stay home for fear of terrorist attacks, the impact is extending far beyond airline carriers.

Allders International, which operates two Duty Free shops at Heathrow, announced recently that it was closing one of its branches with the loss of 100 staff, as a direct result of the falling volume of travellers. It had lost the contract to operate the shop and was due to relinquish it in April, but the Gulf crisis prompted the company to bring forward the closure.

Mr Keith Harrison, vice president of finance for DFS (UK), which operates a duty free shop in Gatwick's north terminal, and another in the Trocadero shopping centre in central London, says there was an instantaneous drop in purchases at both of his outlets when war broke out.

The company has shed several staff, mainly by not offering jobs to those it employed on short-term training contracts, and is not taking on any new employees.

While British Airways has been planning large-scale redundancies and cost-cutting measures, Mr Dan Brewin, head of the in-flight catering division stresses: "We haven't reduced what's on the plates for customers, but we are producing less plates."

He estimates that the division has supplied around 400,000 meals less over the past four weeks than during the same period last year.

He has made efforts to cut staff overtime and reduce work going to sub-contractors. "We used to buy prepared salads, but because our staff are under utilised, we prepare them ourselves now," he says.

Trusthouse Forte provides in-flight catering as well as operating several duty free shops. The company said: "I don't think we're in a crisis situation, but our business has clearly fallen off in line with passengers. It's difficult but not disastrous."

He stresses that the company has won a series of new contracts over the past few months which counterbalance any decline in Gulf-related business.

A representative of Gatwick Handling, a private company which processes luggage at the airport, also says business is *down. He says the company* has not laid off any staff, but is looking at a series of cost savings.

Engineering so far seems to have been less affected. "Even if the aircraft are not flying, there is work to be done," says British Airways.

Variable impact on cargo

CARGO AND courier companies are beginning to notice the early and ambiguous effects of the Gulf conflict on their businesses.

Since the allied invasion began on January 17, TNT, the express courier company, has seen its business to the Middle East decline by about 2 per cent. But with packages to the region only representing about 8 per cent of turnover, the impact is fairly small.

At the same time, traffic to and from both Japan and North America has risen by 10 per cent, according to Mr Paul Moorhouse, TNT's chief operating officer. "Executives are not travelling, so many things they would carry with them, like documents and samples, they are shipping instead," he says.

Mr Peter White, general manager of worldwide marketing for British Airways cargo division, agrees: "It's like a mirror image of the passenger traffic," he says. "Although Americans are not flying, their cargo is. Things are holding up pretty well."

Federal Express has actually seen an increase in movement to and from the Gulf. "We are 5 to 10 per cent up on our business plan," says Mr Gary Roth, managing director of marketing for the company in the UK and Ireland. He hints that the new flows include replacement goods for damaged equipment to the armed forces in the area.

For courier companies, whose selling point has always been to provide quick delivery, there was considerable embarrassment early in the conflict. Flights were delayed and diverted, countries sealed off and shipments held up for security checks.

A number of Far Eastern airports still have a 24-hour "cooling off" period for all cargo before it is loaded. Latest despatch times have been brought forward to allow more detailed inspection to take place.

In the Middle East – and elsewhere across the globe – those companies which rely on commercial airlines to carry their documents have found themselves at the mercy of cancellations with little notice.

In theory, with fewer passengers travelling, there should be *greater available cargo space* and more enthusiasm from the airline companies to discount their rates. But the reality is very different, according to TNT's Paul Moorhouse.

"The cost of doing the job has gone up dramatically," he says. Fuel surcharges and war insurance rates have pushed cargo rates up between 20 and 100 per cent on all routes. So the company may have to *increase* its own prices if the crisis continues.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Scot Eastern Inv........fin	0.92	Apr 29	0.78*	1.35	1.166*
Throgmorton Dual....int	1.75‡	Apr 18	2.75	-	8.75
TR Pacific Inv ....fin	0.25	Apr 26	0.25	0.25	0.25
Yelverton Invs § ....fin	1.25	Mar 15	1	2	1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡3.5p to date.

UK COMPANY NEWS

Out from the cold to stake a new claim

Clay Harris reports on Henry Clarke's plan to take the ice-cream world by storm

MR HENRY Clarke is living proof that ice-cream can heal fingers burnt by junk bonds and restore self-confidence battered by losing control of US companies with $500m of annual sales and incalculable sentimental value.

Some 18 months after the worst setback in an eventful US corporate career spanning more than two decades, Mr Clarke is preparing to launch what may be his most ambitious venture.

Mr Clarke says simply, without qualification: "We want to build a very large international ice-cream company". His pedigree in the sector is enviable: he built the Klondike ice-cream bar to best-selling status in the US.

But can he succeed with the latest recipe, beginning with these ingredients?

- Three UK ice-cream companies which lost £4.12m before tax on turnover of £17.5m in 1990. Yelverton Investments, a USM shell company of which Mr Clarke's family owns 39 per cent, is buying them from Hillsdown Holdings in a deal worth £10.35m.
- Fierce competition from some of the world's biggest food companies, such as Unilever, Mars, Nestlé and Allied-Lyons. Although the 1980s saw the creation of large UK-based international food companies such as Hillsdown and Albert Fisher Group, they typically grew by consolidating in fragmented markets. Few took established giants head on.

Clarke Foods, as Yelverton will be renamed when it returns from a seven-month suspension, does not intend to be merely a niche player, according to its 57-year-old chairman. His ambitions are not limited by size or national frontiers.

Mr Clarke is governor of the Food Summit at the annual World Economic Forum in Davos, where he swaps ice-cream lore with chief executives like Mr Helmut Maucher of Nestlé.

This year, as he drove between the UK and Switzerland, he stopped along the way to poke around in freezer cabinets.

An enthusiast for high quality dairy ice-cream, Mr Clarke was appalled by much of what he found. "Somebody's going to replace that junk. Is it going to be all Unilever products, all Nestlé products, all Mars products? I don't think so."

He is unfazed by his new task. "Clarke Foods is General Motors compared to what we had when we started with Klondike. It was such a tiny company you could hardly see it."

Tony Andrews

Henry Clarke: his ambitions are not limited by size or national frontiers

When he bought Klondike in 1974, its annual turnover of $800,000 was limited to Mr Clarke's native Pittsburgh. When he was ousted from its parent in 1989, the rich chocolate-coated Klondike bar alone had achieved national sales of $60m.

"We always stuck to the quality of our products," says Mr Clarke. "We never let anyone convince us that producing faster or more efficiently was worth giving up one iota of quality."

Quality will be the keystone at the three UK plants: Hortons in Telford, Fiesta in Stourbridge, and Lewis Bros in Stoke-on-Trent.

"There are some very good people in these companies," Mr Clarke says, "but they have only recently begun to operate in a marketplace that has started to focus on real ice-cream. The thing we bring to the party is that ice cream's my name. It's so important that our products just shine."

However, Mr Clarke is also no slouch at persuading reluctant retailers to stock his product, according to Mr Donald Riesett of WB Doner, the advertising agency which handled Klondike and will act for Clarke Foods.

In California, for example, he began advertising – in concentrated bursts aimed at supermarket buyers rather than consumers – before arranging distribution. The tactic worked. Retailers ordered Klondikes so as not to be caught short.

Mr Clarke, moreover, does not intend to stint on investment. On a recent trip to London, he met representatives of Alfa Laval, the Swedish food machinery company which is a world leader in ice-cream technology.

Among those attending the meeting was the Alfa Laval engineer who designed the production line for the Mars ice-cream bar, Europe's most successful new product in the sector for many years.

But much also depends on Mr Clarke's ability to learn from past excesses on Wall Street. Business Week described him in 1988 as "a small-time but shrewd raider and greenmailer with an uncanny ability to borrow money".

In the 1960s, he had built up a nursing home and housebuilding conglomerate, National Environmental Corporation. He was ousted as president in 1970, and the company filed for bankruptcy two years later.

He then brought his private company, Clabir, to market and built another empire spanning guns *and* butterfat. It included General Defense, a defence contractor, and AmBrit, holding company for the ice-cream operations.

But Clabir was an early and devoted junk-bond client of Drexel Burnham Lambert, and Mr Clarke had a penchant for complex corporate structures.

When General Defense ran into trouble in 1988 and had to be sold to Olin Corporation, Clabir defaulted on debentures and control passed to Empire of Carolina, a company controlled by Mr Maurice Halperin and his family. Mr Clarke left in July 1989.

The lesson was painful, Mr Clarke admits. "When it was over I took my wife to Europe for six weeks. We went to Salzburg, we went to Heidelberg and heard the Student Prince on the top of the mountain. I went by myself to St Moritz where I walked 10 miles every day. I decided I never wanted to be in business again. I was tired, I was sad, I was enervated."

But his family came to the rescue. Only his eldest son, Robert, had ever been involved in running Mr Clarke's public companies, and the others thought it a shame they had never got a chance to work with their father in this way.

They urged him to try again. He acceded, on three conditions. "I told them: it's got to be fun, I get to pick the business and we've got to make some money."

Since Klondike was so close to his heart, it was not surprising that he and his sons scoured the world to see which ice-cream companies were for sale. He confesses: "When we got into the ice-cream business, I got myself re-excited."

Robert will be managing director of Clarke Foods, while his younger brothers Michael and David will work in manufacturing and marketing respectively.

Mr Clarke's other four children take a less active role, but seven versions of the company's new logo were faxed around the world for a family vote.

Although Clarke Foods intends to build the brands it inherits from Hillsdown, and will continue to supply the private label ice-cream which accounts for 64 per cent of sales, Mr Clarke wants a blockbusting new product for the UK.

Provisionally, this will be called a Clarke Bar, but he retains a hope that Klondike's new owner may eventually agree to sell him that operation as well as Popsicle of Canada, another of his former companies.

"If I could buy Klondike in the next three months, there'd never be a Clarke Bar, but I am operating my life on the assumption that I'm never going to get it. When the Clarke Bar comes out, it's going to be my first love."

He admits there is one long shadow over his global strategy. "Growth requires capital. The question that will arise is how to get that capital. In the main, it's going to have to be equity." But some day, the family may have to make the painful decision whether it wants to own 40 per cent of a small company or 10 per cent of a large one.

Mr Clarke himself may be guided by how he felt when he lost control of Klondike.

"On the last day, my national sales manager said to me: 'Henry, how can you leave us?' I still cry when I think of that. I just don't want it to happen again."

Yelverton doubles profits and dividend

YELVERTON Investments yesterday gave more details of its plans to buy three ice-cream companies from Hillsdown Holdings, writes Clay Harris.

The USM-traded investment company is buying Fiesta, Hortons and Lewis Bros for £1.4m in ordinary shares and £5.5m in preference shares. It is assuming £3.45m in liabilities.

It also reported a doubling of pre-tax profit and dividend but a fall in net asset value for the year to October 31.

Pre-tax profits rose to £903,000 (£401,000). Net asset value per share declined to 44p (53p) because of a fall in the value of its shareholding in FP Special Assets, a Hong Kong listed investment company.

Earnings per share were 5.2p (2.4p) or 2.4p (2.5p) fully diluted. A final dividend of 1.25p (1p) will double the total for the year to 2p.

Yelverton intends to complete the liquidation of its investment portfolio by October 31 to concentrate on ice-cream.

It is changing its name to Clarke Foods, after the family whose 39 per cent stake will be diluted to 33 per cent by the deal.

Mr Henry Clarke, chairman, hopes to build an international ice-cream group through acquisition and organic growth from the foundation of the loss-making Hillsdown companies. In 1990, they lost £4.12m before tax on turnover of £17.48m. The operating loss before interest and exceptionals was £2.32m.

Yelverton said it had bought the companies' fixed assets for less than their written down book value. By unofficial estimate, the assets have a replacement cost of up to £15m.

Hillsdown's 16.75 per cent equity stake was issued at 60p per share, compared to the 39p market price when Yelverton was suspended on January 9. Hillsdown has agreed to restrictions on disposal of the shares over the next six years.

The acquisition and name change are conditional on approval by shareholders on March 14.

Woolwich to sell mortgages through 500 Italian banks

By Haig Simonian in Milan

THE WOOLWICH, the UK's third biggest building society, plans to sell its mortgage products through a network of 500 Italian bank branches by June this year.

The society, which established its Italian subsidiary three months ago in the first stage of its European expansion, has already signed marketing deals with 14 regional Italian banks, covering 350 branches.

After a successful start in Italy, further expansion into France could follow "quite soon", according to Lord Thomson, deputy chairman of the Woolwich and head of its Woolwich Europe subsidiary.

The Italian market has proved appealing to UK building societies as a result of the country's high savings ratio and its substantial level of home ownership, similar to that in the UK.

Abbey National, which began operating in Milan in 1989, has recently opened its second office in Rome, and plans to have outlets running in eight cities by the end of this year.

The Woolwich is so far restricting its product range to a simple floating rate repayment mortgage.

However, it should have an endowment mortgage, which is still rare in Italy, available by the second quarter of this year, said Mr Robert Goulston, head of the society's Italian operations.

Although it currently sells mortgages only through banks, it hopes to develop expand sales by contacts with insurance companies and through direct retail distribution "over time", he added.

Hunter Saphir shares down as bid talks fail

By Maggie Urry

BID TALKS between Hunter Saphir and an unnamed group have been terminated, the fruit and vegetable distributor and food manufacturer said yesterday.

It is only a week since the talks were revealed, following a rise in the share price.

The shares fell 17p to 61p yesterday, still above the 54p level they were at before rumours started pushing the price up.

Mr Nicholas Saphir, chairman, said the original announcement of the talks had been forced prematurely by the increase in the share price. He said the ending of talks had not been for any single reason, but was "just one of those things".

The Saphir family in effect controls 49.2 per cent of the shares. Mr Saphir said that the family would like the company to remain independent but that it had to listen to potential bidders.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables

TODAY

Interims- Fleming High Income Inv Trust, Herrburger Brooks, Jos Hldgs, York Waterworks

Finals- Lloyds Abbey Life, Provident Financial, Royal Dutch, Shell Transport & Trading, Yorkshire Chemicals

FUTURE DATES

Interims-	
Armour Trust	Feb 25
Cornwell Parker	Mar. 11
Microfilm Reprographics	Feb 26
Minerals Oils & Resources	Mar. 1
Nosco Investments	Feb 25
St Ives	Apr 23
Whinney Mackay	Feb 26
Finals-	
Bilston & Battersea	Mar 28
CRH	Mar. 6
Cadbury Schweppes	Mar 6
Cooper (Alan)	Mar 1
Edmond	Mar. 14
Evans of Leeds	July 2
Expamet Intl	Mar 5
Instem	Mar 6
Kalon	Feb. 26
Provident Financial	Feb 25
Radius	Mar 7
Stat-Plus	Mar 8
Tudor	Apr 9
Walmoughs	Mar 5

Bankers renew Egerton's facilities

By Vanessa Houlder, Property Correspondent

Egerton Trust, the housebuilder and building contractor, yesterday said that its bankers had renewed its facilities.

It warned, however, that its outcome for 1990 would be disappointing as a result of the need to make substantial provisions.

The company's share price rose ¼p to 9p, which compares with a high in 1990 of 157p.

The bulk of the decline took place in August, when the company announced a collapse in its profits and said it was passing its dividend.

In a statement to the Stock Exchange, the company said that throughout 1990 it had covered all its interest payments and progressively reduced debt, although it had been badly hit by the rapid and severe deterioration in commercial property values and the matching decline in house prices.

Mr Frank Sanderson, chairman, said that a continued strengthening of the company's position was expected in 1991.

BUSINESS AND THE ENVIRONMENT

David Churchill on efforts by the travel industry to consider the harm which tourists inflict on natural and historic sites

Booked on a long trip to restoration

Spend £2,000 or so on an exotic bird-watching holiday in Belize and specialist tour operator Cox & Kings will buy four acres of Belize rainforest for £100 to keep it in its natural state.

The move, although dismissed by some conservationists as a gimmick, is a prime example of how the tourism business is gradually waking up to the fact that while travel may broaden the mind, it also damages the environment.

Many travel companies are increasingly adopting a green stance – some would say jumping on the bandwagon – and belatedly putting forward measures to undo the harm that hordes of tourists have created over the past generation.

Thomson Holidays, Britain's biggest tour operator, is, for example, seeking ways of helping to improve the environment at a grass-roots level at many Mediterranean resorts: even sponsoring litter bins, it says, helps. British Airways, moreover, is at present carrying out an "environmental audit" of its operations to see what changes it can make to benefit the environment.

Yet such moves by the tourism industry may be too little too late. The worldwide travel and tourism industry has already grown in a generation to become the world's largest industry. From 60m international travellers in 1960, numbers grew to more than 400m at the end of the 1980s.

"In 10 years the tourism industry will be moving half the population of the world about the globe on holiday," says Martin Brackenbury, a director of the Thomson Travel group and president of the International Federation of Tour Operators. But in travel terms, he points out, the world has barely stirred. Fewer than 10 per cent of Americans hold passports; last year only 6 per cent of Japanese went abroad. Some 200 of the world's nations are still *forbidding* their citizens to travel at all, for political or economic reasons.

Mediterranean countries, moreover, already receive some 100m visitors a year, with nearly a third of these tourists. A recent United Nations report estimated that total travel to the region will grow to 760m by 2025.

Already the effects of international tourism have been devastating. From the Lake District to Athens, the Kenyan game parks to Bhutan, tourism has taken its toll. Its opponents argue that it pollutes, threatens endangered wildlife, causes deforestation, strains local resources, sullies the indigenous culture and damages monuments.

The Parthenon, for example, is said to have been eroded more in the last 25 years than in the previous 2,500. Even Mount Everest, Sir Edmund Hillary is reported to have complained, has been turned into a "rubbish dump" because of the litter left behind by climbing parties.

Skiing, which has enjoyed a large and devoted following, may have brought economic prosperity to some parts of the Alps but at a high cost. Hundreds of square miles of forests have been cleared, for example, to make way for purpose-built ski resorts. Last year the Swiss Forest Agency estimated that 49 per cent of the forest in the mountains was damaged, sick or dying.

Turkey, discovered by "yuppie" holidaymakers in the 1980s and subsequently by mass-market package operators, is one of the most recent victims of tourism blight. Even though some tour operators have sought to prevent over-exploitation of the country's coastline and culture, the lure of tourism revenue for a poor and underdeveloped country has, not surprisingly, proved irresistible.

However, a few operators are less than blameless, according to conservationist David Bellamy. It is they who are said to be encouraging over-development around Patara, for example, seen as the most important, unexcavated classical site in Europe.

The inexorable pressure on tourist resorts to give in to the financial benefits of tourism is perhaps most clearly illustrated by the Spanish seaside resort of Benidorm, still the most popular overseas resort for the British on holiday. In 1968 a travel brochure was able to describe Benidorm as "a gay and interesting resort" whose benefits were "becoming more apparent to discerning people each year". The brochure added: "The local authorities have been very far-sighted and have not allowed the building of the new resort to get out of hand."

Benidorm subsequently became the classic example of tourism blight: high-rise apartment blocks and hotels marring the coast-line, dirty beaches, and what is euphemistically termed "cultural imperialism". One in every two British tourists to Spain, according to one survey, take their own breakfast cereals with them.

But Benidorm has fought back. It has invested some £315m on improving its infrastructure and curbing the excesses of both construction of new buildings and the lager louts that have given it such a bad image abroad. Its efforts to clean up its beaches have been recognised by the European Community. The Alicante Province, of which Benidorm is part, was awarded 32 Blue Flags as part of the EC's scheme for clean beaches (three of which were in Benidorm alone). At the same time the UK's 440 beaches received only 29 Blue Flags.

Travel companies involved in holidays to Kenya have also responded to criticisms that they take out more than they put in. Tour company Abercrombie & Kent, which specialises in African safaris, was instrumental in setting up the Friends of Conservation group in the early 1980s to help protect the game parks, especially the Masai Mara national reserve.

A & K gives a £5 donation to the group each time one of its clients travels to Africa. Many other tour companies do the same: specialist travel company Twickers World, for example, donates to the World Wide Fund for Nature; Thomson Holidays gives funds to help protect the turtles off the Greek islands.

Yet such efforts only scratch the surface of the problem of tourism blight. More can be done by travel companies, governments and others involved. Spreading the load is one solution, favoured both by British tourist organisations and many countries overseas. But persuading tourists to forsake popular cities such as London or Edinburgh is easier said than done: tourists, by definition, visit the same places that everyone else does, often at the same time.

The Economist Intelligence Unit, in a recent report, believed that "the tourism industry is capable of reversing the damaging and improving the environment". But, it argued, "not many people in the tourism industry have yet made the connection between damage to the environment and damage to their livelihoods".

Yet a recent survey, from the Tour Operators Study Group which represents the leading tour operators, illustrated that tourists may increasingly vote with their feet and choose "environmentally-friendly" destinations when booking. About three-quarters of the sample survey said they were concerned with the impact of tourism on their holiday resort: clean beaches and seas were of most concern, followed by standards of hygiene in accommodation.

More, however, is being done by the travel industry to create an infrastructure which helps the environment in future. Some 19 small specialist travel operators, for example, banded together last month to form Green Flag International, a group dedicated to a "more sustainable" form of tourism. It will, for example, offer holidaymakers a "public search scheme" with an information pack containing environmental profiles of participating companies as well as a pocket traveller's guide to green tourism.

Last month also saw the first set of awards by the Tour Operators Study Group to encourage the development of tourism in a controlled way: the main award went to the Bungle Bungle region in the west of Australia.

Bungle Bungle, described as Australia's Grand Canyon, is a classic example of tourism development. Popularised by a television documentary in 1982, the interest the region aroused threatened an influx of tourism. But Western Australia's Conservation and Land Management department acted swiftly to maintain the area's fragile ecosystem. In practice, this means control over the number of camp sites, a policy of encouraging visitors to keep their litter with them (there are deliberately no litter bins), and simply a careful monitoring of tourist movement.

In the short-term, at least, the issue of tourism's impact on the environment has taken a back seat to the problems the travel industry is facing from the recession and Gulf war. With travel bookings sharply down this year, simple survival may take precedence over the longer-term impact on the environment. But many conservationists fear that any delay may still make it too late to save some of the world's most *attractive* heritage.

Yet green tourism offers opportunities as well as costs. "Our dependence on quality natural resources makes environmentally sound tourism development an absolute economic necessity," insists Thomson's Brackenbury. "For imaginative companies, the environment may well turn out to be the biggest opportunity for enterprise that we have seen."

Pretty pictures hide the pollution, the threat to wildlife and the damage to monuments that tourism can create

Catching up with the green market

By John Hunt

The surge in environmental awareness offers big opportunities for companies involved in pollution control technology, but there is a surprising lack of accurate information about the size and nature of potential markets.

"There is currently no apparent mechanism within the UK for identifying emerging environmental issues on a systematic basis," says a report from the Centre for the Exploitation of Science and Technology (CEST), a think-tank sponsored by industry and government.

The report – Industry and the Environment: a Strategic Overview – goes some way to dispel the fog which surrounds the issue. It confirms that the market is immense but suggests that British industry will have to improve its act if it is to take full advantage of the opportunities.

Over the next decade the UK will spend £140bn on environmental improvement, the report predicts, the EC £860bn and the US £1,060bn.

Not surprisingly, expenditure to curtail greenhouse gases, notably carbon dioxide, comes top of the list. The UK is likely to spend £48bn in this area over the next 10 years, the EC £237bn and the US 443bn.

This is followed in order of expenditure by water quality, waste management, acid rain, heavy metals, ozone depletion, air quality, noise, fumes, persistent organics such as pesticides, contaminated land, spills and accidents, and releases from biotechnology.

But quoting four independent surveys it says that less than one in three businesses in the UK considers the environment an opportunity, nearly half are unaware of any future green legislation likely to affect them and two-thirds have no training programmes to improve their environmental performance.

"The UK pollution control industry has not been helped by our historically undemanding and under-enforced regulatory regime," says the report. "Countries which confine their energies just to implementing international agreements will never be able to get ahead of the game."

Nevertheless opportunities available to a wide range of UK firms are substantial and diverse. One sector is waste management, where projected UK expenditure over the next decade is likely to be £19bn. The EC is likely to spend up to £200bn and the US £170bn.

The report says the UK is generally strongest in water treatment. Foreign technology is dominant in areas such as municipal waste incinerators and flu gas desulphurisation equipment to remove sulphur from power station emissions.

However, there are examples of British success. British Coal has been a leader in fluidised bed technology which burns coal efficiently with a minimum of pollution. Johnson Matthey has led in the development of catalytic converters to reduce car exhaust emissions.

West Germany is seen as a large market for green technology but with low growth because it is a mature economy with a long record of environmental improvement. Countries bringing themselves up to EC standards, such as Greece, Ireland, Portugal and Spain, are high-growth markets.

Eastern Europe has difficulties raising finance and UK companies are sceptical about the ability of these countries to pay even with the help of various aid schemes. Opportunities will be in long-term investments and partnerships rather than direct selling of pollution control equipment.

There are big openings in newly industrialised economies which have not had adequate legislation to protect the environment – South East Asia, Latin America, India and China. These will require operating expertise from abroad as well as equipment.

As a follow-up to the report CEST has launched initiatives to bring together UK companies with potential solutions in water treatment, effluent processing, environmental monitoring and waste management.

"Environmental performance will shift from being the delegated responsibility of a discrete group to being an integrated part of every employee's operations," it predicts.

Industry and the Environment: A Strategic Overview, £25 CEST, 5 Berners Rd. London N1 OPW

FT LAW REPORTS

Tax inspector's notice is valid

REGINA v INLAND REVENUE COMMISSIONERS, EX PARTE TC COOMBS & CO
House of Lords (Lord Mackay of Clashfern, Lord Chancellor, Lord Oliver of Aylmerton, Lord Goff of Chieveley, Lord Jauncey of Tullichettle and Lord Lowry):
February 14 1991

A PRODUCTION notice issued by a tax inspector with a commissioner's consent, requiring production of documents for the purpose of a tax inquiry, is presumed to be issued without irregularity. And in the absence of proof by notified persons that the inspector could not reasonably have been of the opinion that the document was in their power or possession, the Revenue's explained silence as to the basis for the request is insufficient in itself to displace the presumption of regularity.

The House of Lords so held when allowing an appeal by the Inland Revenue from a Court of Appeal decision (*[1989] STC 520*) granting an application by stockbroking firm, TC Coombs & Co, for judicial review of a tax inspector's production notice.

Section 20 (3) of the Taxes Management Act 1970 (as substituted by the Finance Act 1976) provides: "... an inspector may ... by notice in writing require ... [a person] ... to make available for inspection ... such documents as are in his possession or power and as (in the inspector's reasonable opinion) contain or may contain information relevant to any tax liability ... (7) Notices under this section are not to be given by an inspector ... (a) except with the consent of a general or special commissioner"

LORD LOWRY said that a tax inspector served two notices on Coombs, under section 20 of the Taxes Management Act 1970.

The notices required Coombs to deliver or make available for inspection such documents as were in its possession or power as "in the inspector's reasonable opinion", might contain information relevant to the tax liability of a former employee, a Mr T P Ramsden.

The first notice required Coombs to deliver or make available all client account files operated by Mr Ramsden covering April 6 1980 to April 5 1986, and in particular, all client account statements relating to 12 named companies.

Of those 12 companies four were clients of Mr Ramsden and of Coombs. Another was not a Coombs client and, Coombs said, was unknown to it. A sixth company, Hereford Securities & Management SA, acted on behalf of undisclosed principals. The remaining six companies were clients of Coombs but, according to Coombs, had no connection with Mr Ramsden.

In response to the first notice Coombs supplied documents relating to the four companies which were clients of Mr Ramsden. It also supplied documents relating to Hereford, but the Revenue had not conceded that they represented all the Hereford-related documents in Coombs's possession or power.

The second notice required production of client account statements concerning the six remaining companies, Hereford, and Mr Ramsden.

Both notices were signed by authorised inspectors and given with the consent of a General Commissioner. The first notice was withdrawn.

Coombs applied by judicial review to quash the second notice in so far as it related to the six companies, and for a declaration that it had complied with the second notice in so far as it related to Hereford and Mr Ramsden.

Mr Justice Schiemann dismissed the application. The Court of Appeal by majority (Lord Justice Bingham dissenting) allowed Coombs's appeal. The Revenue appealed

The case for validity of any section 20(3) notice, was supported by the presumption of regularity, which was strong in relation to the commissioner's function under section 20(7).

The commissioner was an independent person entrusted by Parliament with the duty of supervising the exercise of the intrusive power conferred by section 20(3) and "in the absence of any proof to the contrary, credit ought to be given to public officers who have acted *prima facie* within the limits of their authority, for having done so with honesty and discretion" (*Earl of Derby (186) LR 4 Ex 222,226*).

The commissioner must be taken to be satisfied that the inspector was justified in proceeding under section 20 and hence that the inspector held and reasonably held, the opinion required by section 20(3).

The presumption that that opinion was reasonable and that the commissioner was right to be satisfied could be displaced only by evidence showing that at the time of giving the notice the inspector could not reasonably have held that opinion.

In deciding whether Coombs succeeded in that task, the court must consider all the evidence and all available facts, one of which was that the commissioner consented.

Another fact was the sparseness of the evidence adduced by the Revenue.

Generally, the silence of one party in face of the other's evidence might, depending on the circumstances, convert a *prima facie* case into a strong or overwhelming case. But if the silent party's failure to give evidence could be credibly explained even if not entirely justified, the effect of his silence might be reduced or nullified.

Mr Justice Schiemann and all members of the Court of Appeal had commented on the Revenue's excessive reticence.

Part of its evidence was that an express undertaking was given to an important source not to reveal the source or the information obtained from it. Without knowing the facts a court could not tell what evidence, if given, might indirectly betray a source. The Revenue had relied on its general duty of confidentiality as justification for its reticence.

Provided it was not shown to be acting in bad faith, the Revenue's attitude at least *explained*, if it might not entirely *justify*, its reticence, and thereby reduced its effect in favour of Coombs.

Coombs's evidence did not show that the inspector's opinion was unreasonable. The fact that the commissioner gave his consent was of paramount importance.

What Coombs needed to do was to prove facts inconsistent or irreconcilable with the inspector's having had a reasonable (not necessarily correct) opinion when he gave the second notice, that Coombs had documents relating to the six companies which contained *or might contain* information relevant to any tax liability to which Mr Ramsden was *or might be or might have been* subject.

A presumption of regularity applied to the inspector and to the commissioner. No unfavourable inference could be drawn from the Revenue's silence because it had an obvious explanation.

The same question applied to the six companies and to Hereford: had Coombs proved that when giving the second notice the inspector's opinion that it had relevant documents in its power or possession was not reasonable? The answer was no.

When seeking a commissioner's consent under section 20(7) the Revenue was absolutely bound to make full disclosure to all facts within its knowledge which could properly influence him against consenting. Failure to make full disclosure would, if it came to light, almost inevitably vitiate the consent and nullify the notice.

The appeal was allowed.

LORD MACKAY concurring said that one of the circumstances into which the commissioner must enquire was whether the person to whom the notice was to be given was given reasonable opportunity to deliver or make the documents available. The inspector must not apply to the commissioner for consent until the person had been given that opportunity.

When an application for judicial review was made in circumstances such as the present it was appropriate for the Revenue to include a statement of the way in which the sitting before the commissioner was conducted, with as much detail as possible about the subject matter placed before him.

LORD JAUNCEY also concurring, said that if a person to whom a request for documents had been made asked reasonable questions or raised reasonable objections the Revenue should deal with those matters unless there were compelling reasons for adopting a wall of silence.

When the solicitors in the present case asked the Revenue what documents they thought had not been delivered the Revenue gave the following singularly unhelpful reply – "it is for your clients to decide to what extent they have complied".

It was very difficult to justify the unhelpful attitude adopted by the Revenue.

LORD OLIVER and LORD GOFF agreed with Lord Lowry.

For the Revenue: Philip Vallance QC and Launcelot Henderson (Inland Revenue Solicitor). For Coombs: David Goldberg QC and Edward Bailey (Edwin Coe).

Rachel Davies
Barrister

COMMODITIES AND AGRICULTURE

Sharp cuts expected in EC farm price package

By David Gardner in Brussels

THE EUROPEAN Commission is likely to introduce sharp cuts in the new farm price package for the 1991 marketing year, against a background of a forecast budgetary overrun and no visible progress on its radical plan to reform the Common Agricultural Policy, because of opposition from member states.

Mr Ray MacSharry, EC Agriculture Commissioner, is to put his price plan to the commission today in Strasbourg. The Commission is expected to adopt on February 27 a definitive package that will go to farm ministers of member states early next month.

Cuts are expected on intervention prices for cereals, oilseeds, beef, sheepmeat, dairy produce and tobacco. The two most worrying areas, commission officials say, are cereals – where the cost of support is expected to rise from just over Ecu5bn (£35m) to about Ecu7bn this year and next – and beef, where a leaked commission document already forecasts an increase this year from Ecu2.3bn to Ecu4.3bn.

It is understood that the whole intervention system for beef is to be re-examined, including the possibility of abolishing the "safety-net" whereby the EC has to buy in excess produce at 80 per cent of the intervention price. Cuts in the milk quota – possibly of 2 to 3 per cent – are also mooted, though officials have refused to confirm this.

Mr MacSharry's short-term priority is to stay within the "guideline", or yearly ceilings on spending set in 1988. If internal commission estimates that farm spending is currently set to rise Ecu7.9bn to Ecu33bn are right, the guideline would be breached this year by Ecu880m. Both a supplementary budget and additional savings would then be required to keep inside the ceiling.

Some commission officials suspect, however, that spending estimates are being inflated – though not by much – in order to strengthen Mr MacSharry's hand in the battle with member states over reform. Nevertheless, the farm commissioner is unlikely to prejudice the cause of long-term reform by using this year's price package to advance it, without a clear mandate from the 12.

His reforms envisage far steeper cuts – of 40 to 50 per cent on cereals prices over three to four years, for instance – than could conceivably be proposed or endorsed in this year's round, which will aim to rein in spending and oversupply by the reinforcement of existing mechanisms.

Mr MacSharry's reform plan calls for the full compensation of small farmers and partial recompense for larger producers to offset the cuts. Until it is approved, however, there will no compensation. Yet another year of falling income despite rising EC spending may thus induce farm lobbies to take a more constructive view of the commission's scheme for overhauling the CAP.

Brussels plan 'can be defeated'

By David Blackwell

THE EUROPEAN Commission's radical proposals to target subsidies at small farmers at the expense of larger farms can be defeated, according to Mr John Gummer, the UK agriculture minister.

But, said Mr Gummer in evidence to the House of Commons Agriculture Committee yesterday, a defeat would mean a continuing argument over the ever increasing bill for farm subsidies.

Mr Jerry Wiggin, the chairman, said the committee was in total agreement that the proposals from Mr Ray MacSharry, the EC agriculture commissioner, would be disastrous for agriculture in the UK, which has generally larger, more efficient farms than those on the continent.

Mr Gummer, asked for alternative suggestions, pointed out that only the commission could propose reforms. However, he said it was clear that, with production continuing too high, reductions were necessary in prices, and in quotas, where they existed.

John Gummer: "I do not believe it is right to pay someone for being a farmer"

Neither could be done without looking for alternatives for farmers, Mr Gummer suggested. He had put forward the idea of national targets for set-aside – under which farmers are compensated for taking land out of production. In addition he stressed that caring for the environment had to be encouraged, and pointed out that the UK was ahead of the EC in promoting Environmentally Sensitive Areas (ESAs), where farmers get compensation for adopting environment-friendly practices.

Pressure for reform would continue to come from the budgetary overrun, Mr Gummer said. The spending of tax payers money had to be justified across Europe.

In reply to questions from members of the committee, he ruled out free trade, deficiency payments direct to farmers and the return of farm policy to individual EC member countries as solutions to the EC's farm problem.

He was also critical of a suggestion of direct income aids. "I do not believe it is right to pay someone for being a farmer," he told the committee.

Nymex and IPE plan talks on trading link

By Deborah Hargreaves

THE NEW York Mercantile Exchange (Nymex) and London's International Petroleum Exchange are to begin talks on wide-ranging co-operation that could lead to the development of a joint trading system.

Nymex has set up a committee to pursue joint issues with the IPE and discussions were due to begin in London this week, but have been postponed until a later date. Nymex officials said they were keen to talk to the IPE about several issues.

The two exchanges have pursued joint venture talks in the past, but these broke up three years ago. Since then, the IPE has built its Brent crude futures contract into a busy market, but trading volume in New York is much higher.

Nymex's crude oil futures contract is the most heavily traded commodity futures product in the world with an average volume of over 100,000 lots a day.

An obvious area for co-operation would be on a contract for sour crude oil futures – sour crude has a higher sulphur content than sweet crude. The IPE developed a sour crude futures product in conjunction with the Singapore International Monetary Exchange. But the product, which was launched last year as the Gulf crisis started, has not been widely traded.

Nymex is due to launch a sour crude contract in September that will be based on a deliverable basket of crudes from around the world. The IPE contract is settled in cash and based on the Dubai market.

While Nymex is soon due to start negotiations with the Chicago Mercantile Exchange on joining its Globex electronic trading system, it is also looking at developing its own after-hours system. This is also an area where it could co-operate with the IPE to introduce a 24-hour energy market.

IPE officials were not available for comment on the talks yesterday, but since Nymex broke off talks last time round, the IPE is expected to be hesitant about a closer relationship this time. The exchange is currently involved in negotiations with New York's Commodity Exchange on trading Comex' gold futures contract in London.

Creditors meeting

A MEETING of creditors of the UK operations of Woodhouse Drake & Carey will be held on February 27. A liquidator was appointed last week after the futures arm of the group was declared in default.

Gas power cleans up in America

Bernard Simon on the opening up of a vast new market

THE DIRTY image of coal-fired power stations and the public outcry against nuclear reactors are opening up a vast new market for North America's natural gas producers.

Once considered suitable only for meeting peak electricity demands, gas is now becoming increasingly popular as a primary fuel for generating electricity. Some estimates suggest that over the next five or six years more generating capacity will be built in North America using gas than coal, oil or nuclear power.

Gas's clean image is overcoming earlier concerns about its volatile price and limited pipeline capacity. Although some doubts remain whether US and Canadian reserves are sufficient to meet demand beyond a few decades, that concern too is being pushed aside by the argument that supplies of gas – unlike oil – are at least not subject to the vagaries of Middle East politics.

New England Power, based near Boston, is typical of the growing enthusiasm for gas. The utility is refitting two oil-fired stations in Massachusetts and Rhode Island as part of plans to raise natural gas's contribution to its output from 1 per cent to about 25 per cent over the next few years. "We're looking to diversify our electric generation mix and to reduce our dependence on imported oil," says Mr Ed Rilkoff, a senior analyst at the utility.

The first 250 megawatt stage of another gas-fired station in Rhode Island, the Ocean State project, came into operation last New Year's Eve. The remaining 250 megawatts, all powered by gas from far away Alberta, is due for commissioning this September.

Gas's biggest gains appear to stem however, from the difficulties of the nuclear power industry. The Midland nuclear station in Michigan, on which construction was halted in 1984 when it was 85 per cent complete, was finally commissioned last April as a 1,240 megawatt gas-fired plant. Consumers Power Company, which operates the project, also considered oil and coal but in the words of executive engineer Carl Swenson, "the economics of gas were better."

Gas's clean image is overcoming earlier concerns about its volatile price and limited pipeline capacity

Natural gas is also being considered as an alternative for the idle Shoreham nuclear plant on Long Island, a US$5bn white elephant which was taken over by the New York state government two years ago.

Gas could also play a growing role in future power generation projects across the border in Ontario. The provincial utility, Ontario Hydro, proposed last year that nuclear power should be the cornerstone of its expansion over the next two or three decades.

But the new left-wing government that took office last September has ordered the utility to halt all nuclear development work. Even if Ontario Hydro does eventually persuade the government of the benefits of nuclear power, delays in bringing new projects on stream are expected to create a short-term opening for gas-fired combustion turbines, which can be installed relatively quickly to meet immediate demands.

Several of the gas-fired projects are "co-generation" plants, which produce both electricity and heat (usually in the form of steam). The Midland station in Michigan, for example, also sells up to 1m lbs of steam an hour to a nearby Dow Chemical plant. TransAlta Utilities of Calgary announced plans earlier this month for a C$100m co-generation plant that will heat a McDonnell Douglas factory near Toronto airport while producing 110 megawatts of electricity for sale to Ontario Hydro.

Feedstock for most of the US gas-fired stations comes from both Gulf of Mexico and Alberta producers. The US producers have the advantages of access to an extensive pipeline network and a relatively liberal and streamlined regulatory climate.

Canada's trump card is its willingness to negotiate much longer-term contracts for periods of up to 25 years. "Our greatest advantage is a very substantial, low-cost reserve base," says Mr Bob Reid, vice-president for corporate development at Sceptre Resources, one of four Canadian companies that have signed 15-20-year contracts with New England Power.

One of the Canadians' highest priorities has been to expand their delivery capacity by building new pipelines. Construction has just started in the US and Canada on the C$3bn Iroquois Gas Transmission System, which will carry 830m cubic feet of gas a day to the north-east US and eastern Canada.

TransCanada PipeLines, whose trans-continental pipeline will connect to the Iroquois system and which is a 29 per cent shareholder in the Iroquois project itself, estimates that 150m-200m cu ft of the total quantities of gas shipped will be used to drive power station turbines.

To cope with the growing demand for gas, Nova Corporation of Calgary is spending C$500m-600m (US$435m-$520m) year on expansions to its Alberta pipeline network. Nova carries about four-fifths of total Alberta production to border points for transmission to eastern Canada, British Columbia and the US.

The company forecasts that exports will climb to two trillion (million million) cu ft by the mid-1990s, from 1.35 trillion cu ft in 1989. The current export estimate is some 10 per cent higher than projections made just a year ago.

Gas producers' appetite for power station contracts is not unlimited, however. Selling gas as a generating fuel is a commodity business with relatively low returns. Trying to garner a bigger share of the value-added end-market, in the form of gas-powered domestic appliances and industrial equipment, will always remain an important part of the gas industry's marketing efforts.

But this puts the gas producers in the uncomfortable position of competing against their other, increasingly valued customers, the electric power utilities. Neither is keen to be too dependent on the other.

Olympic Dam mine expansion planned

By Kevin Brown in Sydney

WESTERN MINING Corporation, the Australian mining group, yesterday announced plans to spend A$66m (£26m) to expand copper and uranium production at its Olympic Dam mine in South Australia.

Mr Hugh Morgan, Western Mining's managing director, said the investment would increase copper production by 40 per cent to 66,000 tonnes a year and raise uranium oxide output by 200 tonnes to 1,200 tonnes. He said the expansion followed a nine-month feasibility study by Western Mining and BP Australia, which owns 49 per cent of the mine.

Western Mining said that it expected demand for copper to exceed production this year, which would underpin a "healthy" market price. Demand for uranium was weak, but could increase as stockpiles continued to be drawn down.

"The geological nature of this multi-mineral ore body allows the joint venturers to respond to the window of opportunity in the international market for copper, while at the same time positioning the project to be able to respond rapidly to any future world market demand for uranium," Mr Morgan said.

- The Escondida copper mine in northern Chile increased the copper output of Broken Hill Proprietary (BHP) from 4.85m tonnes to 16.36m tonnes in January, the company said yesterday. Escondida, in which BHP holds a 60 per cent stake, despatched its first shipment of copper concentrate in December. The mine is the world's biggest copper mine, and is expected to produce around four per cent of the world's annual supply of the metal.

BHP also said iron ore production rose 40 per cent in January to 3.46m tonnes, largely because of increased production from Mount Newman, in Western Australia, and the company's increased shareholding in the Mount Goldsworthy mine.

However, steel despatches fell 33 per cent to 223,000 tonnes as the economic recession in Australia continued to affect sales.

- Australia's stockpile of 4.8m bales of unsold wool will be frozen when wool auctions resume on Monday, the Australian Wool Corporation confirmed yesterday.

The corporation was expected to stop sales of stockpiled wool to limit the volatility of prices following the suspension of the industry's price support scheme until July.

Mr Hugh Beggs, corporation chairman, said sales from overseas stocks would be allowed until March 25 to allow overseas processors to meet urgent commitments.

However, such sales would be made at the former floor price of 700 cents a kilogram, rather than at the free market price which will prevail after Monday. The only exception would be sales under existing contracts, Mr Beggs said.

The wool price is expected to fluctuate violently when sales recommence. Most analysts expect the price to settle at about 350 cents a kilogram. The Australian Government will decide in April how to dispose of the stockpile.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	−2,450	to 307,950
Copper	+800	to 194,400
Lead	−525	to 68,400
Nickel	−240	to 2,934
Zinc	+3,775	to 57,875
Tin	−25	to 19,330

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,710-1,770 (1,700-1,750).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-2.90 (2.80-2.90).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.50-2.70 (2.55-2.75).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 14.50-15.00 (14.75-15.25).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 135-150 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.60-2.66 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 4.80-5.40 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.60-2.78 (2.60-2.80).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 9.70 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

Silver prices were at new lows on Comex by midday yesterday in active trading on continued selling, continued lack of investment demand, adequate supplies and concerns about falling industrial demand due to the recession in the US. Chart watchers said silver slid to its lowest price since January 1974. The lowest price silver registered that month was about 323.5 cents a fine ounce. "That appears to what we're shooting for now," said one technical analyst. On the London bullion market, silver prices retreated after the New York opening. Gold traded nervously in a narrow range, at one point testing the key $360 support level. New York orange juice fell sharply in early trading as speculators liquidated their positions after a weekend cold snap in Florida turned out to be short lived. On the LME lead closed steady and near the day's highs, reflecting a decline in exchange stocks and the continuing strike at Mexico's Industrias Penoles lead and zinc complex, dealers said. Penoles expects the strike at the facility, which produces 122,000 tonnes of lead a year, to last until Friday. LME lead stocks fell by 525 tonnes to total 68,400 tonnes.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$12.75-2.95t	n/c
Brent Blend (dated)	$17.80-7.90	-.10
Brent Blend (April)	$16.70-6.80	-.10
W.T.I. (1 pm est)	$18.60-8.65	-.805
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$220-224	-6
Gas Oil	$273-276	+25
Heavy Fuel Oil	$73-75	n/c
Naphtha	$203-206	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$362.25	-1.65
Silver (per troy oz)♣	368.50c	-9.00
Platinum (per troy oz)	$389.00	+0.65
Palladium (per troy oz)	$85.60	-0.50
Aluminium (free market)	$1505	
Copper (US Producer)	115⅞c	
Lead (US Producer)	35⅞c	
Nickel (free market)	399c	
Tin (Kuala Lumpur market)	14.99r	+0.11
Tin (New York)	259c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	105.72p	-2.65*
Sheep (dead weight)†	139.46p	-19.7*
Pigs (live weight)†	83.24p	-0.26*
London daily sugar (raw)	$213.4w	+1.8
London daily sugar (white)	$295.0w	+2.0
Tate and Lyle export price	£216.0	+1.5
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£168.5	
Wheat (US Dark Northern)	£94.5	
Rubber (Mar)♥	48.50p	
Rubber (Apr)♥	49.00p	
Rubber (KL RSS No 1 Mar)	229.0m	-0.5
Coconut oil (Philippines)§	$327.5w	-7.5
Palm Oil (Malaysian)§	$345x	
Copra (Philippines)§	$227.5t	-7.5
Soyabeans (US)	£138.5	+1.0
Cotton "A" index	85.30c	-0.85
Wooltops (64s Super)	365p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar/Apr. t-Apr. w-Feb/Mar z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Mar	190.80	186.00	191.60	185.80
May	190.00	187.80	191.00	187.80
Aug	195.40	193.60	195.40	193.60
Oct	195.00	193.60	194.00	193.00
Dec	195.80		193.00	193.00
Mar	193.80	193.80	195.00	191.80
May	196.00	196.00	196.00	
White	Close	Previous	High/Low	
May	292.0	288.0	292.0	288.0
Aug	294.0	290.5	291.0	290.7
Oct	288.0		266.8	265.3
Dec	283.0		283.3	
Mar	267.0		284.5	283.8
May	270.5		267.0	

Turnover: Raw 1864 (299) lots of 50 tonnes. White 897 (386)
Paris- White (FFr per tonne): May 1491, Aug 1501, Oct 1379.

CRUDE OIL – IPE			$/barrel	
	Close	Previous	High/Low	
Apr	16.80	16.50	17.05	16.00
May	16.40	16.10	16.55	15.60
Jun	16.10	16.00	16.20	15.40
Jul	15.95		16.10	15.52
IPE Index	16.98	17.28		

Turnover 7196 (3559)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Mar	183.50	188.00	185.50	181.00
Apr	163.75	162.00	165.50	156.50
May	155.50	156.50	157.00	150.00
Jun	155.00	152.50	153.50	148.50
Jul	155.00	152.00	153.00	148.00
Aug	157.00	156.00	158.00	151.00
Sep	160.00	158.25	157.00	156.00
Oct	160.00	165.00	160.00	156.00

Turnover 9182 (5323) lots of 100 tonnes

COTTON
Liverpool- Spot and shipment sales in Liverpool for the week ending 15 February reached 123-tonnes against 615 tonnes in the previous week. Trading was quiet with sales mainly taking place in American, West African, and Russian growths.

JUTE
March/April C and F Dundee: BTC $540, BWC $550, BTD $485, BWD $500. C and F Antwerp: BTC $520, BWC $520, BTD $480, BWD $490.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Mar	619	621	620	612
May	657	658	658	649
Jul	686	686	685	679
Sep	712	710	710	705
Dec	746	744	745	738
Mar	770	769	765	764
May	790		785	

Turnover: 2975 (4629) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 15 867.26 (842.70) 10 day average for Feb 18 833.43 (828.37)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
Mar	536	530	543	530
May	548	542	553	542
Jul	563	555	564	558
Sep	577	568	578	574
Nov	591	583	596	592
Jan	608	600	609	

Turnover: 13743 (3670) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 15: Comp. daily 72.00 (72.20). 15 day average 68.53 (68.32)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	128.4	127.0	128.9	126.5
May	150.0	148.0	148.0	148.5

Turnover 139 (89) lots of 40 tonnes.

SOYAMEAL – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	113.50		113.50	
Jun	112.50	110.50	112.50	112.00
Aug	114.50	112.50	114.50	
Dec	121.00		121.00	

Turnover 110 (30) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Feb	1640		1640	1620
Mar	1567	1545	1575	1535
Apr	1442	1435	1445	1415
Jul	1098	1110	1110	1098
Oct	1195		1200	
BFI	1637	1613		

Turnover 187 (62)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Mar	125.20	125.10	125.20	125.00
May	128.00	128.00	128.00	127.85
Nov	110.90		110.90	110.60
Barley	Close	Previous	High/Low	
Mar	116.30	115.70	116.30	115.90
May	119.80	119.00	120.00	119.10
Sep	104.50		104.50	
Nov	108.00		108.00	107.50

Turnover: Wheat 313 (443), Barley 357 (122).
Turnover lots of 100 tonnes.

PIGS – London FOX			(Cash Settlement) p/kg	
	Close	Previous	High/Low	
Mar	112.0		111.0	
Apr	111.5	112.0	111.5	
May	111.5		111.0	
Jun	111.5	112.0	111.0	
Aug	107.0		106.5	
Sep	105.5		106.0	105.0

Turnover: 80 (22) lots of 3,250 kg

MGMI – London FOX					
	Close	Prev.	High	Low	Vol
Indx	156.60	155.61			
Mar	157.40	156.40	157.40	156.90	60
Apr	157.30	156.40	157.50	156.90	190
May	156.80		156.80		50
Sep	156.80	156.00	156.80		30

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 17,609 lots	
Cash	1503-4	1500-2	1503	1499-500		
3 months	1535-7	1531-2	1538/1531	1531-2	1537-3	50,895 lots
Copper, Grade A (£ per tonne)					Total daily turnover 24,356 lots	
Cash	1285-80	1262-3	1290/1285	1279-81		
3 months	1265-6	1256-7	1285/1260	1264-5	1264-5	108,079 lots
Lead (£ per tonne)					Total daily turnover 1,774 lots	
Cash	300-0.5	299-300		299-9.5		
3 months	312-3	311-2	314/311	310.5-1	312-3	14,383 lots
Nickel ($ per tonne)					Total daily turnover 2,471 lots	
Cash	8850-900	8800-25		8815-25		
3 months	8725-40	8740-50	8775/8720	8710-20	8725-50	8,262 lots
Tin ($ per tonne)					Total daily turnover 1,618 lots	
Cash	5640-5	5595-605	5645	5645-50		
3 months	5735-40	5690-5	5765/5720	5740-50	5745-50	6,508 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 5,953 lots	
Cash	1192-4	1212-4	1168/1182	1182-4		
3 months	1197-9	1208-9	1200/1182	1190-1	1188-90	18,078 lots

LME Closing £/$ rate: SPOT: 1.9530 3 months: 1.9240 6 months: 1.8989 9 months: 1.8[illegible]

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)		
Gold (fine oz)	$ price	£ equivalent
Close	362.00-362.60	
Opening	363.40-363.90	
Morning fix	361.60	185.246
Afternoon fix	363.00	185.327
Day's high	360.40-360.80	
Day's low	360.40-360.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.31	6 months	5.10
2 months	5.25	12 months	5.02
3 months	5.21		

Silver fix	p/fine oz	US cts equiv
Spot	191.70	374.00
3 months	197.65	379.85
6 months	203.30	385.85
12 months	213.80	398.45

GOLD COINS (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
Krugerrand	363.00-364.00	185.30-185.80
Maple leaf	373.00-374.00	190.40-190.90
New Sovereign	88.00-89.00	45.00-45.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1400	115	143	1	10
1500	32	73	18	37
1600	3	28	87	92
Copper (Grade A)	Calls		Puts	
2400	100	109	19	70
2500	42	63	60	123
2600	12	33	130	191
Coffee	Mar	May	Mar	May
450	38	54	0	1
500	2	22	16	5
550	0	7	64	23
Cocoa	Mar	May	Mar	May
600	19	66	0	9
650	0	34	31	27
700	0	15	81	69
Brent Crude	Apr	May	Apr	May
1900		200	170	20
1950				
2000				

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Feb	364.5	384.4	365.1	362.1
Mar	364.6	364.6	0	0
Apr	366.1	366.1	367.4	363.6
Jun	369.2	369.2	370.3	366.8
Aug	372.3	372.3	371.3	369.6
Oct	375.5	375.5	373.8	373.5
Dec	378.7	378.7	379.5	375.5
Feb	382.1	382.1	0	0
Apr	385.4	385.4	384.0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Apr	382.8	385.2	387.0	381.0
Jul	386.5	388.7	390.5	386.0
Oct	390.3	392.6	394.5	389.0
Jan	394.6	396.9	0	0
Apr	399.8	402.1	0	0

SILVER 5,000 troy oz; cents/troy oz				
	Close	Previous	High/Low	
Feb	368.7	378.0	369.0	365.0
Mar	369.0	378.5	376.0	362.0
Apr	370.9	380.5	0	0
May	373.7	383.3	381.0	368.0
Jul	378.4	388.1	386.0	372.0
Sep	383.1	392.9	380.0	379.0
Dec	390.1	400.0	398.0	386.5
Jan	391.4	401.4	0	0
Mar	397.4	407.4	400.0	399.0
May	402.9	413.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	110.80	111.65	113.00	110.80
Mar	110.05	110.80	112.70	109.70
Apr	108.20	109.00	108.50	108.50
May	106.45	107.60	109.20	106.70
Jun	105.75	106.35	0	0
Jul	104.85	106.30	107.50	105.40
Aug	104.10	105.65	0	0
Sep	103.45	105.05	0	0
Oct	102.80	104.55	0	0
Nov	102.30	104.10	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Mar	20.06	20.88	21.15	19.95
Apr	18.82	18.94	19.10	0
May	17.97	18.09	18.20	0
Jun	17.48	17.60	17.60	0

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Mar	6145	6232	6340	6080
Jun	4945	4980	4980	4875
Aug	4965	4946	4970	4900
Sep	5080	5066	5080	5025
Oct	5180	5166	5240	5130
Nov	5280	5266	5300	5230
Dec	5385	5366	5430	5330

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	1162	1181	1179	1157
May	1185	1200	1203	1177
Jul	1214	1225	1231	1210
Sep	1244	1257	1260	1247
Dec	1291	1302	1302	1291
Mar	1331	1342	1350	1340
May	1363	1374	0	0
Jul	1393	1404	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	90.40	90.55	91.55	90.10
May	93.10	92.85	94.00	92.70
Jul	95.45	94.95	96.30	95.00
Sep	97.70	97.25	0	97.25
Dec	100.30	100.00	0	0
Mar	103.60	101.50	0	0
May	105.20	103.00	0	0
Jul	107.15	106.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.72	8.41	8.78	8.46
May	8.52	8.38	8.59	8.42
Jul	8.47	8.34	8.54	8.41
Oct	8.47	8.35	8.54	8.42
Mar	8.64	8.50	8.69	8.61
May	8.77	8.54	8.77	0
Jul	8.77	8.79	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	86.50	85.72	86.50	85.50
May	85.20	84.83	86.25	84.75
Jul	85.05	83.44	85.10	83.40
Oct	73.10	72.30	73.10	72.39
Dec	68.40	68.18	68.50	67.90
Mar	68.75	68.55	68.75	68.40
May	68.80	68.75	68.75	68.60

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	115.05	118.40	117.00	113.75
May	115.55	119.35	116.70	114.75
Jul	116.25	119.90	117.00	116.00
Sep	116.85	119.90	117.00	116.50

INDICES

REUTERS (Base: September 18 1931 = 100)			
Feb 19	Feb 18	mnth ago	yr ago
1682.3	1675.0	1667.5	1810.1

DOW JONES (Base: Dec. 31 1974 = 100)				
	Feb 18	Feb 15	mnth ago	yr ago
Spot	-	123.88	122.38	130.22
Futures	-	128.37	125.76	132.20

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Mar	574/6	573/4	580/0	574/4
May	589/2	587/4	593/6	589/0
Jul	602/6	600/4	607/2	602/4
Aug	608/0	607/2	612/4	608/0
Sep	611/0	610/0	614/6	611/0
Nov	621/0	620/2	624/6	620/4
Jan	632/4	632/0	635/0	632/4
Mar	645/0	642/4	645/4	645/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	21.18	21.06	21.31	21.10
May	21.59	21.47	21.68	21.47
Jul	21.93	21.79	21.99	21.79
Aug	22.03	21.85	22.10	21.95
Sep	22.15	22.05	22.20	22.10
Oct	22.15	22.02	22.15	22.15
Dec	22.45	22.22	22.50	22.29
Jan	22.60	22.27	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Mar	167.8	168.4	170.7	167.5
May	172.2	172.6	175.2	171.9
Jul	176.1	176.3	179.0	175.9
Aug	178.0	178.4	180.8	178.0
Sep	180.0	180.1	182.5	180.0
Oct	181.2	181.8	184.0	181.0
Dec	184.5	184.6	186.5	184.5
Jan	185.2	185.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	239/6	239/4	240/4	239/4
May	248/4	248/2	249/2	248/2
Jul	255/4	255/0	256/0	255/0
Sep	257/0	258/4	258/2	257/0
Dec	259/4	259/0	260/0	259/0
Mar	267/0	268/6	267/4	266/4
May	272/0	271/6	272/0	0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	254/4	256/4	256/2	254/2
May	264/6	266/4	266/4	264/4
Jul	275/0	277/0	277/4	274/6
Sep	282/0	284/2	284/2	282/0
Dec	295/0	297/4	297/4	295/0
Mar	302/4	305/0	304/0	302/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Feb	79.35	79.05	79.37	79.20
Apr	78.92	78.67	78.95	78.67
Jun	75.45	75.25	75.50	75.20
Aug	74.00	73.92	74.05	73.87
Oct	73.95	73.95	74.02	73.85
Dec	74.20	74.15	74.35	74.20
Feb	74.20	74.10	74.30	74.20

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Feb	52.12	51.57	52.15	51.70
Apr	49.87	49.32	49.95	49.40
Jun	55.07	54.52	55.15	54.65
Jul	54.57	54.12	54.80	54.25
Aug	51.60	51.50	52.05	51.50
Oct	46.70	46.60	47.05	46.60
Dec	47.02	46.65	47.10	47.00
Feb	47.65	47.90	0	47.65

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	64.42	64.15	64.72	64.05
Mar	63.62	63.25	64.00	63.05
May	63.27	63.15	64.00	62.90
Jul	61.70	61.72	62.50	61.50
Aug	59.90	59.95	60.70	59.90
Feb	57.25	57.80	58.00	57.25

LONDON STOCK EXCHANGE

Shares end lower after erratic session

A PAUSE for breath in the UK stock market yesterday left shares slightly easier but with the market in no way lacking the increased investment activity which has been the feature of the past week. Shares traced an erratic pattern, often in response to the stock futures market where a trading programme operated late on Monday was unwound yesterday.

Some traders looked optimistically for a move on UK base rates at mid-session, but enthusiasm waned after the traditional time for an announcement from the Bank of England passed without news. The second half of the session was troubled by several bomb scares in the City of London, including one at the International Stock Exchange, and then by communications difficulties which delayed early reports of Wall Street activity on some network screens.

Account Dealing Dates		
*First Dealings:		
Feb 11	Feb 25	Mar 11
Option Declarations:		
Feb 21	Mar 7	Mar 27
Last Dealings:		
Feb 22	Mar 8	Mar 28
Account Day:		
Mar 4	Mar 18	Apr 8

*New-time dealings may take place from 8.30 am two business days earlier.

After opening lower, equities rose sharply as the Footsie future led the response to reports that Iraq might withdraw from Kuwait; obviously an early settlement of the Gulf war would relieve stock markets of a major cause of uncertainty. The Footsie added nearly 14 points in early deals, although traders said the big institutions were pre-occupied with sorting out large futures-related commitments rather than with new investment in equities. The premium on the Footsie future was eroded as these basket trades were settled. and share gains were trimmed.

Gains were sharply reversed as London backed away in front of Wall Street's return to business after the holiday for Washington's birthday. Footsie showed a net loss of nearly 12 points and moved uncertainly after the New York market opened erratically, showing a 9.9 fall on the Dow as the UK market closed for the day. At its final reading of 2,312.4, the FT-SE Index was down by 5.9 points.

Seaq-reported trading volume slipped from Monday's 509m shares to 487.5m yesterday. International Stock Exchange data showed that retail interest in equities, which has been strengthening this month, reached £1.7bn on Friday. This implies significantly improved levels of profitability for London securities firms. Trading volume has become more two-way this week, offering improved opportunities both for commission income at brokerage houses and more manageable risks for the marketmakers.

Continental institutions were less active in London yesterday. UK funds, however, again switched out of some blue chip issues and tried to buy stocks in medium sized companies which have been to some extent left behind in the recent advance. Market strategists regard interest in second line issues as an encouraging sign of overall investment optimism.

Yesterday's offers of stock in the market's leading shares was warmly welcomed by marketmaking firms which have suffered severely from lack of stock needed to meet selling commitments; many traders were ordered to square stock positions ahead of January 15 when the market was poised for the outbreak of hostilities in the Gulf, and have since been caught wrong-footed by the market's strong advance since then.

Attempts yesterday by institutions to buy shares in the smaller companies shifted pressures to areas where prices are even more at the mercy of stock shortages; traders pointed to gains of nearly 5 per cent to 15 per cent yesterday in a number of minor stocks which rarely feature in any active trading lists.

FINANCIAL TIMES STOCK INDICES

	Feb 19	Feb 18	Feb 15	Feb 14	Feb 13	Year Ago	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs	85.86	85.72	85.65	85.74	85.29	79.87	85.86 (19/2/91)	74.13 (30/4/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.23	94.22	93.95	93.92	93.26	90.75	94.23 (19/2/91)	83.80 (30/4/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1839.5	1842.6	1824.6	1817.5	1791.7	1799.0	1969.3 (3/1/90)	1510.4 (24/9/90)	2008.6 (3/9/89)	49.4 (26/6/40)
Gold Mines	134.7	134.5	134.5	136.1	136.1	307.0	378.5 (6/2/90)	129.2 (8/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2312.4	2318.3	2296.9	2294.4	2267.8	2277.0	2463.7 (3/1/90)	1990.2 (28/9/90)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	1049.57	1047.02	1024.85	1013.02	1007.10	-	1049.57 (19/2/91)	900.45 (14/1/91)	1049.57 (19/2/91)	900.45 (14/1/91)
Ord. Div. Yield	5.21	5.20	5.25	5.27	5.35	4.92				
Earning Yld %(full)	10.86	10.84	10.94	10.97	11.15	11.89				
P/E Ratio(Net)(*)	11.14	11.16	11.05	11.02	10.84	10.18				
SEAQ Bargns 4.45pm	32,177	33,763	37,105	34,226	31,073	22,978				
Equity Turnover(£m)†	-	902.99	1461.36	1315.87	924.05	817.90				
Equity Bargains†	-	32,646	37,993	35,302	30,456	23,135				
Shares Traded (ml)†	-	410.7	587.8	606.8	450.0	354.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 26/10/90. [illegible]

Ordinary Share Index, Hourly changes — Day's High 1857.9 — Day's Low 1835.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1844.0	1854.7	1847.7	1857.7	1853.4	1848.2	1843.5	1840.2	1838.1

FT-SE 100, Hourly changes — Day's High 2332.1 — Day's Low 2308.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2318.1	2330.5	2319.7	2331.7	2326.6	2320.4	2314.0	2311.9	2312.3

FT-SE Eurotrack 100, hourly changes — Day's High 1058.85 — Day's Low 1048.81

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1057.76	1056.94	1057.40	1054.48	1054.90	1054.10	1051.04

GILT EDGED ACTIVITY

Indices*	Feb 18	Feb 15
Gilt Edged Bargains	98.3	99.3
5-Day average	101.3	100.0

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

Selling of water issues

THE WATER issues, among the best performing stocks since their privatisation in December 1989, were given a rough ride yesterday as a number of institutions took profits in the sector with a view to reinvesting in the two electricity generators, National Power and PowerGen.

Specialists also pointed to an investment seminar on the utilities hosted by UBS Phillips & Drew last week which adopted a cautious line on the water sector. UBS highlighted a number of negatives on the sector, notably that dividend growth prospects may have been overstated.

The Water Package bore the brunt of the downward pressure, closing £100 lower at £2943 on turnover equivalent to 3m shares in the underlying securities. Among individual stocks, Northumbrian and Welsh were the worst affected and fell 14 each to 297p and 310p respectively, closely followed by Anglian, 13 down at 291p, and South West, the same amount weaker at 300p. Thames lost 11 to 298p on heavy turnover of 2.6m.

TV stake move

The transfer of a 19.6 per cent stake in Tyne Tees Television from Vaux to Yorkshire Television had been much talked of in the market but produced more disappointment than excitement when it was confirmed yesterday.

Shares in Tyne Tees have risen sharply in recent days as speculators hoped there would be a bid for the company. But yesterday's low-key announcement concerning the £5.1m transaction left Vaux and Tyne Tees down on the day, by 4 to 214p and 4 to 285p respectively. The stake changed hands at 260p per Tyne Tees share, with Yorkshire saying it intended to treat the company as an associate for accounting purposes. Yorkshire ended unchanged at 244p.

Volume in Vaux was a good 106,000 shares, but the low normal market size rating on the two television stocks means that full details of trading were not immediately available.

Lloyds Abbey down

Life assurer Lloyds Abbey Life underperformed the rest of a relatively steady life sector ahead of today's preliminary figures, which are expected to come out showing little or no improvement on last year's figures when pre-tax profits reached £294.6m.

Hoare Govett forecasts that Lloyds Abbey will make £296m, while BZW is going for £280m and Kleinwort Benson £262m. Goldman Sachs expects a figure of £304.3m but labelled the shares as overvalued on yield and appraisal. The market was said to be concerned about bad debts at Lloyds Abbey's finance house subsidiary Bowmaker. Worries about the life business were said by some specialists to have been overplayed.

Specialists expect the dividend to be held at 17p. Lloyds Abbey shares settled 10 down at 378p.

Tate active

Tate & Lyle rose 6 to 326p with turnover increasing to an unusually high 4.3m shares as a shortage of stock and institutional presentations by the company pushed the shares up strongly in early dealings.

At one stage the shares were up 13, but they retreated later in the session on speculation that US regulatory approval for Sucralose, the group's artificial sweetener, may be delayed. Tate had been boosted by the hope that US approval would be granted by the end of March. The latest market suggestions are that Tate may have to wait until the middle of this year.

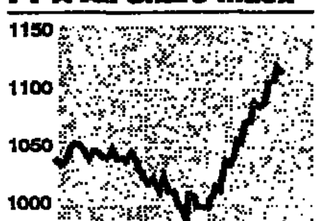
Mr Richard Workman of Hoare Govett said Tate was also strengthening because it is one of the UK stocks most likely to benefit from any recovery in the US dollar. Over 60 per cent of the company's profits are earned in North America.

Financial services group MAI put on 5 to 107p after strong support emerged late in the day.

Whispers in the market that the forthcoming banks reporting season would see one of the big clearers report a substantial loss on foreign exchange trading triggered a flurry of nervous selling in the sector.

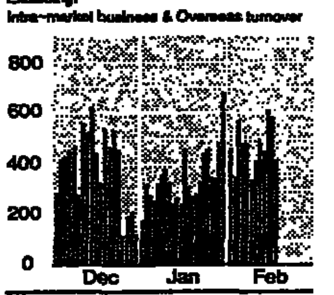
Standard Chartered shares were badly treated, closing 11 off at 263p, while Barclays weakened 12 to 386p, Lloyds 8 to 325p, Midland 6 to 174p and NatWest 4¼ to 295¼p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Wall Street, which opened after a national holiday on Monday, bought only selectively among international stocks. ICI shrugged off at least one broker's "take profits" advice and climbed 9 to 1028p ahead of figures on February 28. Glaxo made it the third record high in succession with an improvement of 7 to 971p on modest volume. In four weeks the stock has risen with scarcely a hesitation from 820p.

An initial strong showing by building issues reflected hopes of an early end to the Gulf conflict and the prospect of interest rate cuts in the UK. The advance failed to hold, however, as profit-taking and revived talk of a possible rights issue in the area, upset sentiment.

There were a number of exceptionally firm spots, however. Of these, Costain Group stood out, closing 7 higher at 202p, with institutions focusing much more on the Gulf opportunities rather than weak suggestions that Costain's dividend could be in jeopardy when the group reports preliminary figures in April.

Robert M. Douglas shares also performed well, adding 5 at 310p, with the company said to be on the short list of UK construction groups in line for big Kuwaiti contracts. The group has strong Middle East links and has been involved in substantial contracts in Dubai, Oman and Saudi Arabia. The shares were additionally boosted by a recent buy recomnedation published by Strauss Turnbull.

More nervous selling ahead of tomorrow's preliminary figures upset Alfred McAlpine shares, which dropped a further 16 to 222p. Stockbrokers Panmure Gordon has pencilled in a figure of £10.8m against last time's £23.6m, but takes a positive view of the shares. The figures, said Panmure, "are likely to depress shareholders once again, but there is a chink of light at the end of the tunnel".

Panmure said McAlpine's new chief executive Mr Graham Odgers "is blazing a determined trail on the growth path, with recovery this year likely to come from elimination of lossmakers".

Turriff took another beating, the shares retreating 32 more to 63p for a two-day fall of 61 after the projected loss and dividend omission.

A two-way pull developed in hotels as Kleinwort Benson issued a bullish note on the sector and S.G. Warburg warned that the recent outperformance had probably gone far enough.

Turnover in Ladbroke was a hefty 8.4m; the shares ended just a penny firmer at 266p, after peaking at 274p. Volume in Trusthouse Forte was a busy 5¼m shares, but here the sellers won the day and the shares slipped a net 3 to 256p, having touched 262p at best.

There was a similar mood in second line stocks. Queen's Moat Houses saw 3.1m shares change hands as the price slipped 4 to 91p – it has been one of the best performers in the sector in recent sessions.

A good single buyer of Granada early in the day helped the stock resist the later gentle retreat by the wider market. The shares ended 3 better at 179p.

Cityvision recovered after scares over the state of the video rental business. It added 3 at 48p.

Further consideration of the purchase of 3m shares by a Capital Radio director pushed the price 10 higher to 168p. Mr David Maule-ffinch's holding is now 20.6 per cent.

Investors buying for a cyclical recovery in the economy turned their attention to media and agency stocks. Several smaller agencies chalked up good gains, although traders said that trading volume was low. Alexander Proudfoot, a group involved in management consultancy and training, added 10 at 324p, while employment agency Reed Executive firmed 3 to 43p. Aegis, an advertising agency, rose 10 to 130p and Holmes and Marchant, a marketing services company, jumped 14 to 60p.

Hunter Saphir, the food distributor, dropped 17 to 61p after announcing that bid talks with an unnamed company had not been successful. Food specialists said there was speculation that Fyffes had been the interested party. Fyffes finished a penny easier at 120p.

Whitbread was one of the best performers of the day among FT-SE 100 stocks after County NatWest WoodMac recommended it as a short term trading buy. The broker said that among large brewery issues, Whitbread was the most exposed to a cyclical recovery in the economy because of its restaurants, from which customers have been switching to pubs, and its emphasis on the south east of the country, which has been hit harder by the recession.

In the market's good performance earlier in the week, investors have shown themselves to be keen on cyclical stocks. County also trimmed its profits forecasts for Whitbread, by £5m for the current year to £286m.

Traders noted particularly heavy trade in Bass as the market closed. Turnover reached 2.7m shares, the third busiest day for the stock this year.

Traders expected the overnight ticker to show yet more big business. The shares were 21 ahead at one point but ended only 2 up on the day at 988p.

Computer group P & P, which last week unveiled better than expected preliminary results, attracted strong support during a busy session and closed 16 higher at 117p. Mr David Southwatch, the chief executive, visited a number of London institutions yesterday, under the auspices of broker Hoare Govett, and was said to have put over a reassuring message.

Oil shares moved in the opposite direction to crude oil prices for only the second time since the Iraqi invasion of Kuwait. The sector's specialists said demand for the majors reflected a view from some broking houses, notably Hoare Govett, that the bear story in the sector had been overdone. There were also suggestions that income funds had been buying the two leaders, BP and Shell, ahead of both stocks going ex-dividend on Monday.

BP settled 6 ahead at 318p, after 319p, on good turnover of 10m shares. Shell, reporting fourth quarter numbers today, added 3 at 466p on 3.7m. Hoare said it preferred Shell to BP and expects a dividend total of 20p, against last time's 18.4p.

Ultramar's purchase of an 8.6 per cent stake in the Hutton Field in the North Sea – for some $4 a barrel – was regarded by some analysts as bullish for the stock. "It is a good deal from a tax angle, and helps alleviate some of Ultramar's advanced corporate tax problem," said one analyst. Ultramar lost 2 to 319p.

■ Other Market statistics, including the FT-Actuaries share index, Page 21

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]			
BOC	345	568	+3
BPB Inds.	779	328	-4
BTR	3,600	365	-8
Bank of Scotland	5,100	128	-2
Barclays	2,900	385	-12
Bass	2,700	988	+2
Beazer	2,200	127	+1
Berisford Int	235	28	
Blue Circle	2,000	253	+1
Boots	1,800	340	-4
Bowater	250	529	+1
Brit. Aerospace	1,500	549	-3
British Airways	3,000	152	
British Gas	7,600	238½	-1
British Land	436	303	-5
BP	10,000	318	+6
British Steel	7,400	128	-1
British Telecom	3,100	301	+1½
Bunzl	1,500	79	+1
Burmah Castrol	350	558	-6
Burton	3,200	68	-2
Cable & Wire.	1,700	515	+2
Cadburys	3,100	360	-4
Calor Group	114	230	+1
Carlton Comms.	698	389	-5
Coats Viyella	1,000	124	-3
Comm Union	380	515	-6
Cookson	1,600	121	+4
[illegible]			
Glynwed Int.	458	248	-3
Granada	987	179	+3
Grand Met.	3,500	732	-6
GUS A	241	1216	-6
GRE	1,800	212	-7
GKN	682	362	
Guinness	921	800	-1
Hammerson 'A'	183	643	-8
Hanson	6,400	214½	-1½
Hanson Warrants	542	37	
Harrisons Crosfield	614	157	+1
Hawker Sidd.	108	510	-4
Hillsdown	4,100	206	-3
IMI	1,600	236	
ICI	1,600	1028	+9
Inchcape	886	273	+3
Kingfisher	2,000	388	-6
Ladbroke	8,400	266	+1
Land Securities	654	550	-10
Laporte	51	592	-2
Legal & General	596	408	+2
Lloyds Abbey	1,800	373	-10
Lloyds Bank	2,500	325	-8
LASMO	607	357	-1
London Elect.	2,700	189	-6
Lonrho	1,800	213	-1
Lucas	1,300	158	+2
MB Caradon	578	185	-3
[illegible]			
P & O	1,200	568	+3
Pilkington	1,300	186	-4
Prudential	2,700	218	-1½
RHM	1,600	319	+2
RMC	807	717	+5
RTZ	2,100	501	-2
Racal	6,300	192	-2
Racal Telecom	750	313	-3
Rank Org.	746	684	-5
Reckitt & Colman	212	1402	-2
Redland	822	843	+3
Reed Intl.	437	402	-1
Reg. Elect. Pkg Uts	11	£1850	-83
Reuters	998	792	
Rolls Royce	2,900	155	-1
Rothmans	89	783	-12
Ryl Bk Scotland	357	183	-5
Royal Insurance	2,800	418	-8
Saatchi	1,500	26	+1
Sainsbury	1,800	329	-5
Scottish & New.	798	387	-2
Sears	7,600	93	
Sedgwick	2,800	259	+4
Seaboard	1,100	177½	-2½
Severn Trent Water	889	270	-10
Shell Transport	3,700	466	+4
Siebe	510	363	-8
Slough Ests	838	249	-4
[illegible]			
T&N	[illegible]		
TI Group	[illegible]		
TSB	[illegible]		
Tarmac	[illegible]		
Tate & Lyle	[illegible]		
Taylor Woodrow	[illegible]		
Tesco	[illegible]		
Thames Water	[illegible]		
Thorn EMI	[illegible]		
Trafalgar House	[illegible]		
Trusthouse Forte	[illegible]		
Ultramar	[illegible]		
Unigate	[illegible]		
Unilever	[illegible]		
United Biscuits	[illegible]		
Utd. Newspapers	[illegible]		
Water Package Uts.	[illegible]		
Wellcome	[illegible]		
Welsh Water	[illegible]		
Wessex Water	[illegible]		
Whitbread 'A'	[illegible]		
Wiggins Teape	[illegible]		
Williams Hldgs.	[illegible]		
Willis Corroon	[illegible]		
Wimpey	[illegible]		
Yorkshire Elect.	[illegible]		
Yorkshire Water	[illegible]		

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (120).
BRITISH FUNDS (48) AMERICANS (1) BANKS (2) BREWERS (1) BUILDINGS (10) CHEMICALS (1) STORES (7) ELECTRICALS (3) ELECTRICITY (2) FOODS (2) INDUSTRIALS (20) BTR Warrants 1994-95, Bespak, Capa, De La Rue, Diploma, Fisons, Glaxo, Hepworth, Isotron, Kalamazoo, Low & Bonar, Novo Nordisk B, Reckitt & Colman, Do. 9.5pc Cnv. Cap. Bds. 2005, Sanders & Sidney, Spandex, Spring Ram, Unichem, Unilever, Wolseley, LEISURE (1) PAPERS (2) PROPERTY (1) TRANSPORT (1) TRUSTS (18).
NEW LOWS (26).
BANKS (1) BUILDINGS (4) STORES (1) ENGINEERING (1) INDUSTRIALS (4) Alexandra Workwear, Johnston, Levercrest, Norton, LEISURE (2) PAPERS (1) PROPERTY (2) TRUSTS (2) OILS (3) MINES (5).

APPOINTMENTS

Senior posts at Stock Exchange

■ THE INTERNATIONAL STOCK EXCHANGE has appointed Mr Peter Hogarth as managing director, trading markets division, from March 11. He was chief executive of Société Générale Strauss Turnbull Securities. Mr Peter Gerrard has been appointed to the new post of general counsel from May 1, when he retires as senior partner of Lovell White Durrant.

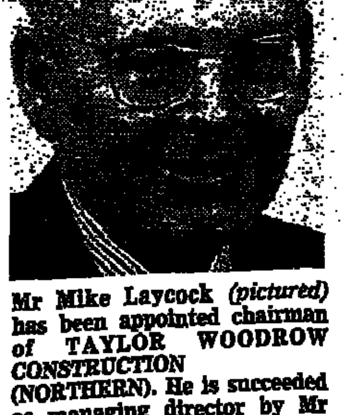
■ Mr Brian Foster has been appointed managing director of T. & E. PLASTIC MOULDERS, a subsidiary of Carbo. He was operations director.

■ Mr William Anderson has been appointed a director of LONDON & EDINBURGH TRUST. He was an assistant director.

■ Mr Alastair Gibbons, a director of County NatWest Ventures, has been appointed to the board of PORTFOLIO FOODS. County NatWest Ventures backed the £59m management buyout of Portfolio Foods from Hazlewood Foods last July.

■ CABLETIME, Newbury, cable television equipment supplier, has promoted Mr Andy McGregor, sales manager, to sales director. The company is a Carlton Communications subsidiary.

■ Mr Martyn Corrigan, contracts manager, and Mr Martin Foster, manager for Sizewell B power station project, have been appointed directors of LAING CIVIL ENGINEERING.



Mr Mike Laycock (pictured) has been appointed chairman of TAYLOR WOODROW CONSTRUCTION (NORTHERN). He is succeeded as managing director by Mr Brian Heritage who was project director. Both joined the group in 1958.

■ BRODEN (U.K.) has appointed Mr J.S. Rimmer as group director and chief executive of its rigid film group at Bridgwater. He was business group director, thermoforming group, DRG.

■ Mr Wayne Swindall has been appointed to the new post of loss prevention director at VICTOR O. SCHINNERER & CO, insurance management group. He was vice president claims at Simcoe and Erie, Canada.

■ ROVER FINANCE, Leamington, a joint venture between the Rover Group and Lombard North Central, has appointed Mr John Smith as director of operations and planning. He was area director, Cambridge, with Lombard North Central.

■ Mr Henk Kruithof has been appointed to the board of WORCESTER GROUP as an executive director. He is managing director of Radson BV acquired by the group last December.

■ Mr John Simmonds has been appointed managing director of COBDEN CHADWICK (UK), part of Johnson and Firth Brown. He has held similar posts with Lohja Finlux (UK), Letraset, and the Pearl & Dean Group.

■ Mr Paul French has been appointed sales and marketing director of PELEMAN DISTRIBUTION (UK), Crawley.

■ Lord Griffiths of Fforestfach has joined GOLDMAN SACHS INTERNATIONAL as an international adviser. He was head of Mrs Margaret Thatcher's policy unit, and is head of the Centre for Policy Studies. He is a non-executive director of Thorn EMI, and Herman Miller Inc.

■ Mr James Minotto has been appointed commercial director of COMMODORE BUSINESS MACHINES (UK). He was managing director and a European vice president of Tandon UK.

■ Mr James MacDonald is to be appointed company secretary of JOHNSON MATTHEY in succession to Mr David Wright who is retiring at the end of this month. Mr MacDonald was general manager, planning, materials technology division.

HILL SAMUEL INVESTMENT MANAGEMENT has promoted Mr Philip Beaven (pictured) to managing director from head of the UK fixed interest department. He succeeds Mr Neville Bowen who continues as chairman.

LONDON SHARE SERVICE

BRITISH FUNDS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]						

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	Cvr	Y'ld Gr's
46⅞	35⅞	CPC Intnl. 25c	41⅝	[illegible]			
930p	356p	California Engy	424p				
36⅞	23½	Campbell Soup 15c	35[illegible]	[illegible]			
21½	5¼	Chase Manhattan $12½	7[illegible]	[illegible]			
12½	5⅞	Chrysler $6¼	6[illegible]	[illegible]			
[illegible]							

CANADIANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	Cvr	Y'ld Gr's
[illegible]							

Continued on next page

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BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST—Contd

INVESTMENT TRUST—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

£10¾	£35⅛	♥Hemlo Gold Mines	£41⅛	....	Q520c	–	2.5
43	15	Greenwich Res 5p ... α	22	....	–	–	–
£14⅝	£7⅞	Homestake Mining $1	£8⅛	–⅛	Q20c	–	1.2
62	22	‡‡Ivernia West .... γ	40	+3	–	–	–
97	44	‡‡Kells Mins. Ir5p . γ	45	....	–	–	–
49½	9	♥Kenmare .... γ	9	....	–	–	–
45	15	‡‡Navan Resources ... γ	15	....	–	–	–
20¾	7	♥New Sabina Res C$1	10	+1	–	–	–
457	52	Northgate Expl. C$1	58	....	5–	–	–
36	12	North West Exp.	12	....	–	–	–
39¾	2	♥Nor-Quest Res.	8	....	–	–	–
255	90	Oryx Gold Hldgs	194	....	–	–	–
57	11	‡‡Ovoca Gold IR 2p .. γ	13	....	–	–	–
93	42	Plateau Mining 20p .. β	42	....	–	–	–
605	392	RTZ 10p .... α	501	–2	†18.5	2.5	4.9
14	4½	♥Thorco Res. Inc. ‡	7	....	–	–	–
18	5	Vizcaya Hldgs 5p ... β	8	....	–	–	–
178	130	‡Young Group 10p .. β	131	....	†7.8	2.7	7.9

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ÷ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ *Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided*
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 .. β	675	.....
Finlay Pkg. 5p .... β	33	.....
Holt (Jos) 25p .... β	1308	.....

IRISH

Cap. 8½% Ln. 1991 ..	£99½	.....
9pc Cap Ln 1996 ..	£97¾	+1
Fin. 13% 97/02 ...	£114	+1
Arnotts	160	.....
Carrol (P.J.)	154	.....
Helton Hldgs .... γ	43xd	+3
IRG	132	.....
United Drug	135	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp	28
BTR	25
Barclays	30
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	35
ICI	70
Ladbroke	22
Legal & Gen.	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect	16
RHM	23
Rank Org Ord	52
Reed Intnl	32
STC	19
Sears	7½
SmKl. Beecham A	51
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	33

Property	
Brit Land	24
Control Secs	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils	
Aviva Petlm	3
Brit Petroleum	27
Burmah Castrol	46
Conroy Petlm	15
Gaelic Res	1½
Premier	7
Shell	37
Tuskar Res	2
Ultramar	29

Mines	
Lonrho	19
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
90 Holdenhurst Rd Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	41.54	41.54xd	44.42	-0.25	7.18
Gilt & Fixed Int	6	115.6	115.6	122.7	+0.3	9.37
High Inc Equity	6	125.5	129.0xd	137.2	+1.0	6.20
Worldwide Bond	6	201.5	201.5xd	213.6	+0.6	7.02
Capital Growth						
American Growth	6	167.5	167.5xd	179.1	+1.1	1.07
Asian Pacific	6	106.5	108.8	115.7	+1.0	.17
Assets & Earnings	6	157.0	157.0	167.9	+0.8	3.23
Capital Reserve Acc	0	103.5	103.5	103.5	+0.2	6.90
Capital Reserve Inc	0	86.92	86.92	87.06	+0.18	6.89
Commodity & Energy	6	68.18	68.18xd	72.91	-0.64	1.36
1992 Enterprise	6	58.53	58.53	62.59	+0.03	3.40
Euro Capital Acc	6	86.31	86.31	92.31	-2.07	1.47
Euro Capital Inc	6	82.87	82.87xd	88.63	-1.98	1.47
General	6	158.7	158.7xd	169.7	+0.4	2.95
Japan	6	92.92	92.92	99.37	+0.12	–
Mastertrust	6	81.48	81.48	87.14	-0.62	2.95
UK Growth Acc	6	138.4	138.4	148.0	+1.3	2.98
UK Growth Dist	6	89.49	89.49xd	95.71	+0.62	2.98
US Emerging Cos	6	51.16	51.16	54.71	-0.29	–
Income & Growth	6	285.8	285.8xd	305.6	+1.9	3.35
Ethical	6	44.16	44.16	47.22	-0.28	2.12
International	6	55.41	56.14	59.72	+0.48	.84
Dividend & Growth	6	46.20	46.39xd	49.35	+0.31	5.67
Global Grth & Sec	6	49.37	49.74xd	52.91	-0.09	1.89

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9GG 0244 680066

M & S Inc P'folio	5¼	104.4	104.8xd	112.0	+0.2	4.19
Do Accum	5¼	110.3	110.8xd	118.4	+0.2	4.19
UK Sel P'folio	5¼	93.54	94.53	101.1	+0.4	4.69
Do Accum	5¼	97.81	98.83	105.7	+0.4	4.69

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

Managed Tst	5	47.64	48.01	51.07	.....	5.15

Martin Currie Unit Trusts Ltd (0905)H
48 Melville St, Edinburgh EH3 7HF Dlng:031-220 4924

Far East (Pacific)	5¼	88.46	88.46	93.90	(z)	0.45
Income & Growth	5¼	55.60	56.77xd	60.26	(z)	5.42
European (z)	5¼	51.29	52.02xd	55.22	(z)	1.29
Nth American (z)	5¼	32.10	32.10	34.07	(z)	1.54
Intl Growth(9-1)	5¼	55.29	56.38	59.85	(z)	0.84
UK Growth	5¼	48.64	49.40	52.44	(z)	2.73
Intl Income	5¼	44.62	45.22	48.00	(z)	6.22
High Yield	5¼	42.58	43.25xd	45.91	(z)	7.49
Charities	5¼	86.13	86.50xd	91.82	(z)	6.10
Japan	5¼	37.35	37.67	39.98	(z)	–

Matheson Unit Trust Managers Ltd (1200)H
Admin. 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

UK Growth (4-1)	6	62.55	63.88	68.32	+0.27	3.62
UK High Income	6	33.11	33.11	35.41	-0.37	5.70

Assumed Reserve	5	61.97	61.97	65.06	+0.12	11.72
American Income	5	106.65	106.7xd	113.2	+0.80	3.51
Equity Income	5	78.46	78.46	83.74	+0.46	5.64
European	5	50.39	50.39	53.73	+0.84	1.53
Far Eastern	5	94.18	94.18	100.6	+0.30	1.73
Smaller Cos	5	38.20	38.20	40.77	+0.50	4.04
Olympiad	5¼	40.71	40.7xd	43.41	+0.27	1.82
Olympiad Income	5¼	39.16	39.16xd	41.80	+0.31	4.51
UK Growth	5	64.90	65.46	69.87	+0.46	1.75

NFU Mutual Unit Mngrs Ltd (1400)F
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealings 0277 261010

Avon Equity	6	84.61	86.29xd	91.80	-0.34	3.92

NM Unit Trust Mngrs (1200)H
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

American ♥	5¼	27.70	27.70	29.54	+0.16	1.73
(Accum Units) ♥	5¼	29.64	29.64	31.61	+0.17	1.73
Australian ♥	5¼	147.80	148.60xd	159.90	+2.00	3.44
(Accum Units) ♥	5¼	166.40	167.30	179.50	+2.30	3.44
Conscience	5¼	46.41	47.28	50.45	+0.20	1.55
(Accum Units)	5¼	48.66	49.58	52.91	+0.21	1.55
European	5¼	134.30	134.30	143.20	+1.00	1.09
(Accum Units)	5¼	141.80	141.80	151.20	+1.10	1.09
Extra Income	5¼	62.01	62.01	66.17	+0.18	9.23
(Accum Units)	5¼	83.55	83.55	89.16	+0.24	9.23
Far East Gth Acc ♥	5¼	101.10	101.10	108.00	-1.40	0.29
Gilt & F I	5¼	51.51	51.51xd	54.52	+0.10	9.19
(Accum Units)	5¼	108.40	108.40	114.70	+0.20	9.19

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

TSB Unit Trusts (1260)H

Target Trust Mngrs Ltd (1600)F

Templeton Unit Trust Managers Ltd (1200)F

Thornhill Unit Trust Mngrs Ltd (1200)F

Tyndall Unit Managers Ltd (1000)F

Three Counties Asset Mngmt Ltd (1430)F

Touche Remnant Unit Trust Mngrs Ltd (1600)F

Trades Union Unit Tst Mngrs (1200)H

Triton Fd Mngrs. Ltd. (1000)H

United Charities Unit Trusts (1000)H

Wardley Unit Tst Mngrs Ltd (1300)F

Waverley Unit Tst Mngmt Ltd (1000)F

Wessex Asset Management (1330)F

Whittingdale Unit Trust Mgmt Ltd

Willbro Financial Services Ltd (0905)F

Woolwich Unit Trust Managers Ltd (1700)H

Wright Seligman Fund Mngrs Ltd (1700)F

The Yorkshire Unit Tst Mngrs Ltd (1100)F

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

Charities Official Inv Fund

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Funds in Court

Henderson Unit Trust Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

MIM Ltd

Morgan Grenfell Unit Trust Managers Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Acorn Life Assurance Ltd

Aetna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Allied Dunbar Assurance Plc—Contd.

Ambassador Life Assce. Co. Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co. Ltd

Black Horse Life Ass. Co Ltd

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Century Life Plc

Citibank Life

City of Westminster Assurance

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

Crusader Insurance Plc

Eagle Star Insur./Midland Assur.

Eagle Star Life Assurance Co Ltd

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident

General Portfolio Life Insce Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Guardian Royal Exchange—Contd.

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Assicurazioni GENERALI SpA

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pension) Ltd

Liberty Life Assurance Co Ltd

The Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

Manchester Unity Assurance

ManuLife Group PLC

Merchant Investors Assurance Co Ltd

Merchant Investors Assurance Co Ltd – Contd.

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

Continued on next page

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2,961	2,991	...	-
New Generation Fd $	$22.18	22.40	...	-
Japan Index Alpha	Y8,692	8,824	...	-
Jap Sector Rotation	Y7,302	7,410	...	-
Jap Gro Gwth CB	[illegible]	[illegible]	...	-
Saudi International (Guernsey) Ltd				
Intl Bond	$10.66	10.84		-
Intl Dollar	$10.39	10.40	+0.01	-
Intl Equity	$11.47	11.88		-
Falcon High Income	$90.70	90.86		-
Schroder Investment Mngmt (Guernsey) Ltd				
Latin American	$12.2019	12.9015	...	-
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$11.67	11.74	...	-
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$751.1		...	-
Fixed Income Shares	$976.72		...	-
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Mega Growth	$11.98		-0.03	-
Yamaichi CSS Fund	$8.27		-0.01	-
Yamaichi CB Plus Fund	$8.97		+0.03	-
Thai Inv Fund	$10.86		...	-

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd [illegible]

MI Global Asset Mngmt Co Ltd "MI Trusts"

IRELAND (REGULATED)(**)

Baring International Fd Mngrs (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street, St Helier, Jersey 0534 76029						
Stlg Fixed Int	5¼	£1.125	1.125	1.195	[illegible]	9.92
Offshore High Yield	3½	£1.434	1.434	1.492	[illegible]	14.58
Global Equity Fund	5¼	$14.56	14.66	15.68	+0.03	1.06
European Equity	5¼	[illegible]	17.34	18.55	+0.41	1.02
UK Growth (C) Fund	5¼	£4.443	4.504	4.817	[illegible]	3.34
Nth American Eqty	5¼	$9.811	9.871	10.477	[illegible]	0.70
Far Eastern Eqty	5¼	$9.608	9.733	10.410	[illegible]	0.59
International Mngd	5¼	£9.615	9.615	10.283	[illegible]	0.00
Intnl. Bond Fund						
Sterling Managed	5¼	£10.28	10.28	10.96	+0.03	8.78
US Dollar Managed	5¼	$13.55	13.55	14.41	-0.02	5.90
International Currency Fund						
Sterling Managed ‡	5¼	£25.10	25.10	26.56	+0.02	-
US Dollar Managed ‡	5¼	$29.20	29.20	30.90	+0.02	-
Sterling ◆ ‡	0	£24.22	24.22	24.22	+0.01	13.48
US Dollar ◆ ‡	0	$37.47	37.47	37.47	...	5.49
Deutschmark ◆ ‡	0	[illegible]	58.85	58.85	+0.01	7.69
Japanese Yen ◆ ‡	0	Y4.776	4.776	4.776	...	6.27
Swiss Franc ◆ ‡	0	[illegible]	45.94	45.94	+0.01	6.97
Irish Punts ◆ ‡	0	I£21.77	21.77	21.77	+0.01	6.75
INVESCO MIM International Limited						
PO Box 271, St Helier, Jersey 0534 73114						
Jersey Gilt (z)	5¼	£0.1706	0.1706	0.1800		9.17
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 27561						
Lloyds Tst. Gilt	2½	£9.566	9.582	9.832	[illegible]	11.39
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 37788						
Intl Circuit Portfolio	6	95.81	95.81	101.61	-1.48	0.00
Gilt	3	93.57	93.57	96.49	+0.25	10.36

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Gulf dominates as dollar rises

THE GULF war dominated sentiment on the foreign exchanges yesterday, with the dollar rising on hopes of a diplomatic solution to the crisis, but falling back from its peaks when US President George Bush appeared to pour cold water on the Soviet peace proposals.

Moscow indicated that it expects a reply within two days to President Mikhail Gorbachev's plan for a peaceful solution to the war, while hopes of a settlement increased when the Iranian foreign minister said he was convinced that Iraq is prepared to withdraw unconditionally from Kuwait.

This pushed the dollar to a high of DM1.4930, but it eased back when President Bush said the Soviet proposal fell well short of US requirements for ending the war. It was also reported that the British government feels the proposals do not meet the full requirements of United Nations resolutions.

The dollar's positive reaction to hopes of peace reversed the situation before the war started when peace moves tended to depress the currency while the fear of conflict provided support. It was hoped yesterday that an early end to the war would take pressure off the weak US economy, boosting consumer confidence and speeding up the move out of recession.

At the London close the dollar had broken through technical resistance at DM1.4850 and was also above the next resistance point of DM1.4920, rising to DM1.4925 from DM1.4845. It also advanced to Y131.50 from Y130.40; to SFr1.2800 from SFr1.2730; and to FFr5.0825 from FFr5.0525. On Bank of England figures the dollar's index rose to 60.5 from 60.3.

Sterling weakened against the dollar, but advanced in terms of the D-Mark. There were no fresh factors, but sentiment surrounding the pound was firm, despite an easing of interest rates in London.

Sterling fell 80 points to $1.9520, but rose to DM2.9125 from DM2.9100; to FFr9.9200 from FFr9.9025; to SFr2.4975 from SFr2.4950; and to Y256.75 from Y255.50. The pound's index closed unchanged at 94.2.

Within the European Monetary System sterling was slightly above the weakest placed French franc in the exchange rate mechanism. The D-Mark rose to FFr3.4055 from FFr3.4035 and also improved slightly to Fl 1.1270 from Fl 1.1265, against the Dutch guilder, when the Dutch Central Bank eased its monetary stance in offering funds to the Amsterdam money market. The central bank's rate on special advances was reduced to 8.70 from 8.80 per cent for a nine-day facility. The move was expected, following a recent decline in Dutch wholesale interest rates and the strength of the guilder in the ERM.

The Italian lira was steady, in the lower half of the ERM league table, gaining a little ground against the D-Mark.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 19	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.763	−4.39	5.79	77
Belgian Franc	42.4032	42.1809	−0.52	1.68	33
D-Mark	2.05586	2.04940	−0.31	1.46	30
Dutch Guilder	2.31643	2.30914	−0.31	1.46	23
Italian Lira	1538.24	1537.91	−0.02	1.16	8
Irish Punt	0.767417	0.769605	0.29	0.85	−6
Danish Krone	7.84195	7.87793	0.46	0.68	−14
Sterling	0.696904	0.703853	1.00	0.14	−20
French Franc	6.89509	6.97388	1.14	0.00	−55

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Feb.19	Latest	Previous Close
£ Spot	1.9510-1.9520	1.9665-1.9675
1 month	1.06-1.05pm	1.06-1.05pm
3 months	2.95-2.93pm	3.09-3.07pm
12 months	8.84-8.74pm	9.27-9.19pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

	£	$
Korea(Sth)	1403.85 - 1426.50	718.50 - 724.10
Kuwait	N/A	N/A
Luxembourg	59.70 - 59.80	30.55 - 30.65
Malaysia	5.2755 - 5.2845	2.6950 - 2.6970
Mexico	5808.35 - 5830.95	2968.00 - 2978.00
N.Zealand	3.2275 - 3.2325	1.6490 - 1.6515
Saudi Ar	7.3275 - 7.3690	3.7490 - 3.7510
Singapore	3.3610 - 3.3690	1.7180 - 1.7200
S.Af (Cm)	4.9695 - 4.9820	2.5370 - 2.5400
S.Af (Fn)	6.2175 - 6.3180	3.1745 - 3.2260
Taiwan	53.05 - 53.15	27.10 - 27.15
U.A.E.	7.1770 - 7.2175	3.6720 - 3.6740

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Feb 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9495 - 1.9610	1.9515 - 1.9525	1.05-1.03cpm	6.39	2.91-2.88pm	5.93
Canada	2.2470 - 2.2585	2.2525 - 2.2535	0.56-0.45cpm	2.77	1.53-1.40pm	2.60
Netherlands	3.2760 - 3.2875	3.2775 - 3.2875	1¼-1cpm	4.11	3¼-3pm	3.81
Belgium	59.70 - 60.05	59.70 - 59.80	21-15cpm	3.72	55-46pm	3.38
Denmark	11.1575 - 11.2080	11.1750 - 11.1850	3¼-2⅝orepm	3.29	8¼-7½pm	2.82
Ireland	1.0800 - 1.0990	1.0940 - 1.0950	0.27-0.21cpm	2.63	0.58-0.48pm	1.94
Germany	2.9065 - 2.9155	2.9100 - 2.9150	1⅛-1pfpm	4.38	2⅞-2⅝pm	3.78
Portugal	254.25 - 256.05	254.90 - 255.90	2-20cdis	−0.52	93-134dis	−1.78
Spain	180.75 - 181.85	180.80 - 181.10	9-14cdis	−0.73	45-57dis	−1.13
Italy	2179.10 - 2189.25	2184.75 - 2185.75	3-1lirepm	1.10	5-3pm	0.73
Norway	11.3525 - 11.3960	11.3700 - 11.3800	2⅞-2¼orepm	2.77	6½-5⅝pm	2.18
France	9.8805 - 9.9250	9.9150 - 9.9250	3¼-2⅞cpm	3.63	8⅛-7¾pm	3.20
Sweden	10.8420 - 10.8900	10.8575 - 10.8675	1½-⅜orepm	1.10	1⅞-1⅛pm	0.60
Japan	255.55 - 257.25	256.25 - 257.25	1¼-1ypm	5.26	3¼-3pm	4.77
Austria	20.43 - 20.51	20.43 - 20.46	7½-6¼gropm	3.93	19⅛-16½pm	3.48
Switzerland	2.4925 - 2.5025	2.4925 - 2.5025	1⅛-1cpm	5.11	3⅛-2¾pm	4.80
Ecu	1.4060 - 1.4085	1.4075 - 1.4085	0.46-0.40cpm	3.66	1.17-1.09pm	3.21

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.30-5.25cpm . 12 Month 8.77-8.67pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9495 - 1.9610	1.9515 - 1.9525	1.05-1.03cpm	6.39	2.91-2.88pm	5.93
Ireland†	1.7840 - 1.7915	1.7860 - 1.7870	0.63-0.58cpm	4.06	1.92-1.82pm	4.19
Canada	1.1520 - 1.1550	1.1535 - 1.1545	0.34-0.36cdis	−3.64	0.95-1.00dis	−3.38
Netherlands	1.6695 - 1.6825	1.6815 - 1.6825	0.31-0.34cdis	−2.32	0.97-1.01dis	−2.35
Belgium	30.50 - 30.75	30.55 - 30.65	6.00-8.00cdis	−2.75	0.19-0.23dis	−0.03
Denmark	5.7020 - 5.7350	5.7250 - 5.7300	1.45-1.65oredis	−3.25	4.50-5.10dis	−3.35
Germany	1.4815 - 1.4950	1.4920 - 1.4930	0.27-0.29pfdis	−2.25	0.85-0.88dis	−2.32
Portugal	130.40 - 130.95	130.45 - 130.55	70-80cdis	−6.90	250-270dis	−7.97
Spain	92.50 - 93.05	92.65 - 92.95	56-59cdis	−7.43	168-175dis	−7.38
Italy	1112.25 - 1120.50	1119.25 - 1119.75	5.00-5.40liredis	−5.57	15.00-16.00dis	−5.54
Norway	5.7925 - 5.8340	5.8250 - 5.8300	1.60-2.05oredis	−3.76	5.55-6.05dis	−3.98
France	5.0405 - 5.0850	5.0800 - 5.0850	1.14-1.19cdis	−2.75	3.57-3.67dis	−2.85
Sweden	5.5415 - 5.5730	5.5625 - 5.5675	2.30-2.65oredis	−5.34	7.35-8.00dis	−5.52
Japan	130.45 - 131.55	131.45 - 131.55	0.15-0.17ydis	−1.46	0.42-0.45dis	−1.32
Austria	10.4380 - 10.5025	10.4540 - 10.4590	2.00-2.40grodis	−2.52	6.20-7.30dis	−2.58
Switzerland	1.2695 - 1.2805	1.2795 - 1.2805	0.12-0.15cdis	−1.27	0.38-0.43dis	−1.27
Ecu	1.3785 - 1.3885	1.3785 - 1.3795	0.34-0.31cpm	2.83	1.03-0.97pm	2.90

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Feb 19	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13⅝ - 13½	13 11/16 - 13 9/16	13½ - 13⅜	13 - 12⅞	12 5/16 - 12⅛	11 13/16 - 11⅝
US Dollar	6⅝ - 6½	6½ - 6⅜	6½ - 6⅜	6⅝ - 6½	6⅝ - 6½	6 13/16 - 6 11/16
Can. Dollar	10 - 9¾	10⅛ - 9⅞	10 1/16 - 10	9 15/16 - 9 13/16	9⅞ - 9¾	9⅞ - 9¾
Dutch Guilder	9 - 8½	9 - 8½	8 15/16 - 8 13/16	8 15/16 - 8 13/16	8 15/16 - 8 13/16	9 - 8⅞
Swiss Franc	8 - 7¾	8 - 7¾	7⅞ - 7¾	7⅞ - 7¾	7⅝ - 7½	7⅝ - 7½
D-Mark	9 - 8⅞	8 15/16 - 8 13/16	8 15/16 - 8 13/16	9 - 8⅞	9 - 8⅞	9 - 8⅞
French Franc	9⅜ - 9¼	9⅜ - 9¼	9½ - 9⅜	9 9/16 - 9 7/16	9⅝ - 9½	9 11/16 - 9 9/16
Italian Lira	13 - 12	13 - 12	12½ - 12	12 1/16 - 11 13/16	12⅛ - 11 15/16	12¼ - 12
Belgian Franc	9 - 8¾	9⅜ - 9¼	9 7/16 - 9 5/16	9 7/16 - 9 5/16	9⅜ - 9¼	9⅜ - 9¼
Yen	8¼ - 8⅛	8¼ - 8⅛	8⅛ - 8	8 1/16 - 7 15/16	7⅞ - 7¾	7⅞ - 7¾

Long term Eurodollars: two years 7⅛-7 per cent; three years 7⅜-7¼ per cent; four years 7⅝-7½ per cent; five years 8⅛-8 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.19	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
F Fr.	1.008	1.968	2.936	258.9	10.	2.518	3.309	2203	2.271	60.23
S Fr.	0.400	0.781	1.166	102.8	3.971	1	1.314	874.7	0.902	23.92
H Fl.	0.305	0.595	0.887	78.22	3.022	0.761	1	665.5	0.686	18.20
Lira	0.458	0.893	1.333	117.5	4.543	1.143	1.503	1000	1.031	27.35
C $	0.444	0.866	1.293	114.0	4.403	1.109	1.457	969.8	1	26.52
B Fr.	1.674	3.267	4.875	429.8	16.60	4.181	5.495	3657	3.771	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE EUROMARK OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

PHILADELPHIA SE £/$ OPTIONS

THREE-MONTH PIBOR FUTURES (MATIF) (Paris Interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
March	90.40	90.40	+0.05	90.46	90.39	9.60	19,372
June	90.66	90.70	+0.08	90.74	90.66	9.30	13,531
September	90.85	90.86	+0.05	90.91	90.85	9.14	4,286
December	90.89	90.86	+0.01	90.90	90.86	9.14	1,352

Estimated volume 10,542 Total Open Interest 38,541

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int
February	1717.0	1719.0	+14.0	1737.0	1712.0	7,831
March	1727.0	1732.5	+15.0	1749.5	1726.0	2,795
April	1739.0	1739.0	+9.5	1739.0	1739.0	2
June	-	-	-	-	-	200

Estimated volume 10,425 Total Open Interest 10,828

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9520	1.9416	1.9231	1.8993	1.8648

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Mar	1.9442	1.9450	1.9406	1.9684
Jun	1.9160	1.9176	1.9130	1.9396
Sep	1.8950	1.8950	1.8920	1.9172

BASE LENDING RATES

	%		%		%
ABN Bank	13½	Co-operative Bank	13½	Nat Bk. of Kuwait	13½
Adam & Company	13½	Coutts & Co	13½	NatWestminster	13½
Allied Trust Bank	14	Cyprus Popular Bk	13½	Northern Bank Ltd	13½
AIB Bank	13½	Dunbar Bank PLC	13½	Nykredit Mortgage Bank	14
● Henry Ansbacher	13½	Duncan Lawrie	13½	Provincial Bank PLC	15
Associates Cap Corp	15½	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
B & C Merchant Bank	13½	Exeter Bank Limited	14	Royal Bk of Scotland	13½
Bank of Baroda	13½	Financial & Gen. Bank	13½	● Smith & Williamson Secs.	13½
Banco Bilbao Vizcaya	13½	First National Bank Plc.	16	Standard Chartered	13½
Bank Credit & Comm	13½	● Robert Fleming & Co.	13½	TSB	13½
Bank of Cyprus	13½	Robert Fraser & Ptnrs.	14	Unibank plc	13½
Bank of Ireland	13½	Girobank	13½	● United Bk of Kuwait	13½
Bank of India	13½	● Guinness Mahon	13½	United Mizrahi Bank	13½
Bank of Scotland	13½	● Hambros Bank	13½	Unity Trust Bank Plc	13½
Banque Belge Ltd	13½	Hampshire Trust Plc	14½	Western Trust	13½
Barclays Bank	13½	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	13½
Benchmark Bank	14	● Hill Samuel	13½	Whiteaway Laidlaw	13½
Brit Bk of Mid East	13½	C. Hoare & Co.	13½	Yorkshire Bank	13½
● Brown Shipley	13½	Hongkong & Shanghai	13½		
CL Bank Nederland	13½	● Leopold Joseph & Sons	13½		
● Charterhouse Bank	13½	Lloyds Bank	13½		
Citibank NA	13½	Meghraj Bank Ltd	13½		
City Merchants Bank	13½	McDonnell Douglas Bnk.	13½		
Clydesdale Bank	13½	Midland Bank	13½		
Comm. Bk. of London Plc	13½	Mount Banking	13½		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

London rates lower

INTEREST RATES continued to decline on the London money market and prices of short sterling futures rose, as the pound held steady against the D-Mark despite continuing market speculation about lower UK bank base rates.

The steady performance by sterling since last week's cut in base rates has encouraged the view that further rate reductions are possible without putting too much pressure on the pound in the ERM. Sentiment was also helped by hopes of a diplomatic solution to the Gulf war and by the fact that the Bank of England took out the full shortage of liquidity on the cash market.

UK clearing bank base lending rate 13.5 per cent from February 13 1991

Three-month interbank fell to 13 1/32-12 29/32 from 13⅛-13 per cent and 12-month money to 11 15/16-11 13/16 from 12 1/16-11 15/16 per cent.

On Liffe March short sterling opened higher at 87.32. This was the day's low with the contract touching 87.42 and closing at 87.34 compared with 87.29 previously. June delivery was also firm, rising to 88.62 from 88.59.

The recent tight conditions continued on the cash market yesterday. The Bank of England initially forecast a day-to-day shortage of £1,000m, but revised this to £850m at noon. Total assistance of £873m was provided.

An early round of help was offered and at that time the authorities bought £10m bank bills in band 1 at 13⅞ per cent. Before lunch another £338m bills were purchased, by way of £100m bank bills in band 1 at 13⅞ per cent and £238m bank bills in band 2 at 13¾ per cent.

In the afternoon £395m bills were bought, via £269m bank bills in band 1 at 13⅞ per cent and £126m bank bills in band 2 at 13¾ per cent. Late assistance of £130m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £461m, with exchequer transactions absorbing £460m, and bank balances below target £150m. These outweighed a fall in the note circulation adding £50m to liquidity.

In Frankfurt call money rose to 8.75 from 8.70 per cent. The Bundesbank capped any upward pressure on rates by offering liquidity to the banking system, via a 35-day securities repurchase agreement tender at a fixed rate of 8.50 per cent. This prompted comments that the central bank is determined to keep call money below the 9.00 per cent Lombard emergency financing rate.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb 19) 3 months US dollars		6 months US Dollars	
bid 6½	offer 6⅝	bid 6½	offer 6⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9
Broker loan rate	8½
Fed funds	6
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	6.28	Three year	7.05
Two month	6.05	Four year	7.23
Three month	6.11	Five year	7.40
Six month	6.20	Seven year	7.68
One year	6.28	10-year	7.79
Two year	6.84	30-year	7.98

Feb.19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.70-8.80	8.70-8.85	8.75-8.90	8.80-8.95	8.85-9.00	9.00
Paris	9⅜-9¼	9⅜-9½	9⅜-9½	9 7/16-9 9/16	9½-9⅝	9.25
Zurich	7⅞-7⅝	7¾-8	-	7⅝-7¾	-	-
Amsterdam	8.75-8.88	8.85-8.95	-	8.90-8.98	-	-
Tokyo	8⅜-8⅞	7 13/16-8 1/16	-	7 13/16-7 15/16	-	-
Milan	12¾-13⅛	13½-13⅝	-	13⅜-13⅝	-	-
Brussels	-	9⅜-9¼	-	9⅜-9¼	-	-
Dublin	11⅛-11¼	11 1/16-11 3/16	11 1/16-11 3/16	11 1/16-11 3/16	11-11⅛	-

LONDON MONEY RATES

Feb 19	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13⅞	13 13/16	13⅝	13 1/16	12½	12
Interbank Bid	8	13½	13⅜	12¾	12¼	11¾
Sterling CDs	–	–	13½	13	12 7/16	11 13/16
Local Authority Deps.	13½	13½	13½	13	12⅜	11 13/16
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps	13½	13½	13⅜	12¾	–	–
Company Deposits	–	–	13⅝	13 1/16	12 7/16	11⅞
Finance House Deposits	–	–	13⅝	12 15/16	12 7/16	11 13/16
Treasury Bills (Buy)	–	–	13 1/16	12⅛	–	–
Bank Bills (Buy)	–	–	13 1/16	12 3/16	11⅞	–
Fine Trade Bills (Buy)	–	–	13 13/16	12 13/16	12¼	–
Dollar CDs	–	–	6.50	6.58	6.58	6.80
SDR Linked Dep. Offer	–	–	8¼	8⅜	8¼	8¼
SDR Linked Dep. Bid	–	–	8⅛	8⅛	8⅛	8⅛
ECU Linked Dep. Offer	–	–	9 7/16	9½	9½	9⅜
ECU Linked Dep. Bid	–	–	9 5/16	9⅜	9⅜	9 5/16

Treasury Bills (sell); one-month 12 13/16 per cent; three months 12⅜ per cent; six months 11⅞ per cent; Bank Bills (sell); one-month 13⅛ per cent; three months 12 3/16 per cent; Treasury Bills; Average tender rate of discount 12.1298 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1991. Agreed rates for period Feb 26, 1991 to Mar 25, 1991, Scheme I: 15.10 p.c. Schemes II & III: 15.26 p.c. Reference rate for period Jan 1, 1991 to Jan 31, 1991, Scheme IV&V: 14.012 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from February 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,474 Set by VIXEN

ACROSS

1 Contend cattle are improperly treated (9)
6 The fool going after hundred-pound order (5)
9 Company on motorway caught acting funny (5)
10 Object about corrosion, being a driver (9)
11 One's warned there may be a charge for entrance (10)
12 Chance joining a Greek character (4)
14 Stiff note about a church official (7)
15 "K" the Italian holds the medico to be a twister (7)
17 Well-shaped legs are delights! (7)
19 Put on new wall-covering, possibly the wrong way round (7)
20 He spends some time in the House raising various points (4)
22 Changing laws offers potential for making bloomers (10)
25 Eccentric partisan (9)
26 The subject of progeny (5)
27 The retreat of a real high-flier (5)
28 Assumed to have worked as a nurse before (9)

DOWN

1 Like a little house here? (5)
2 Both the casual office-worker and egghead call for getting tough (9)
3 Creep spinning the tale about many a case (10)
4 Some upstart is tearing into a performer (7)
5 Intent on eastern development (7)
6 Found players in a group (4)
7 She's written an article on pests (5)
8 The communicative guy put a name to everything with little hesitation (9)
13 In a quiet river locality this would be quite unsuitable (10)
14 A beast long holding gold cup (9)
16 Subdued once again over newspaper leader (9)
18 Concession offered about room for a boat (7)
19 A sporting arbitrator (7)
21 Setting royalty right – or wrong! (5)
23 Coppers surrounded by children move quickly (5)
24 Superior in time giving one the shivers (4)

Solution to Puzzle No.7,473

WITHONES DEPOSE · EYESOPEN STREET · CARPENTER MASON · CARD HOTMEAL · CROPPER PART · ISSUE BRASSERIE · ARARAT GENEROUS

WORLD STOCK MARKETS

AUSTRIA — [illegible]

BELGIUM/LUXEMBOURG — [illegible]

DENMARK — [illegible]

FINLAND — [illegible]

FRANCE — [illegible]

FRANCE (continued) — [illegible]

GERMANY — [illegible]

GERMANY (continued) — [illegible]

NETHERLANDS — [illegible]

ITALY — [illegible]

SPAIN — [illegible]

SWEDEN — [illegible]

SWEDEN (continued) — [illegible]

SWITZERLAND — [illegible]

NORWAY — [illegible]

SOUTH AFRICA — [illegible]

JAPAN — [illegible]

AUSTRALIA — [illegible]

AUSTRALIA (continued) — [illegible]

HONG KONG — [illegible]

MALAYSIA — [illegible]

SINGAPORE — [illegible]

Price data supplied by Telekurs.

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

3:00 pm prices February 19

Quotations in cents unless marked $

[illegible]

8600	Can Util A	$20¾	20½	20½	−⅛
800	Can Util B	$21	20⅞	20⅞	+¼
15000	Canamax	u40	38	38	−1
3900	Cantor	$23¼	23¼	23½	−¼
300	Cara Op	$16½	16½	16½	+¼
62000	Carena Dev x	u$15½	15	15⅜	−⅛
700	Cascades	455	450	455	+10
400	Cntrl Cap	$7⅝	7⅝	7⅝	
1100	Cineplx Odn	300	300	300	
7000	Cntrl Fd A	460	460	460	+5
13400	Cominco	$25⅜	25⅜	25⅜	−¼
1000	Coputalog	260	260	255	−5

9000	Jannock	u$15¼	14⅞	15¼	+⅜
500	KerrAddis	$15	d15	15	−¼
196600	Lac Minls	$8¾	8⅜	8⅝	−⅛
1300	Lafarge x	$16¾	16¼	16¾	
10500	Laidlaw A	$22	21⅜	22	+½
368400	Laidlaw B	$21⅝	21⅜	21½	
800	Laurent Bk	$16⅝	16⅝	16⅝	
1500	Laurent Gp	u$8¾	8½	8⅝	+⅛
4300	Lawson Mar	$9⅞	9⅞	9⅞	−⅛

7200	Repap Ent	u$7½	7⅜	7⅜	−⅛
10800	Rio Algom	u$19⅝	19½	19½	+¼
207300	RoyalBkCan	$24⅞	24⅝	24⅝	
568800	RylTrustco	$8	7⅞	8	
8500	StLawrCm A	$13⅛	13	13⅛	
24400	Sceptre Rs	365	360	365	
300	ScottPaper	$17¼	17⅛	17⅛	
15300	Scotts Hos	$16½	16⅛	16⅜	

† - No voting rights or restricted voting rights

MONTREAL

3:00 pm prices February 19

19200	Macmillan x	$19¼	18⅞	18⅞	−⅜
1400	Memotec	u$8⅞	8¾	8¾	+⅛
150700	NatBk Can	u$9⅝	9⅜	9½	
14400	Provigo	$11⅝	11¼	11⅜	−⅛
2900	Quebecor A	u$18½	18¼	18½	+¼
2100	Videotron	$13⅞	13¾	13¾	

Total Sales 11,034,900 shares

INDICES

NEW YORK

DOW JONES	Feb. 18	Feb. 15	Feb. 14	Feb. 13	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	(c)	2934.65	2877.23	2909.16	2999.75 (16/7/90)	2365.10 (11/10/90)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	(c)	94.86	94.65	94.60	94.86 (15/2/91)	88.44 (24/9/90)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	(c)	1119.18	1097.85	1112.83	1212.77 (6/6/90)	821.93 (17/10/90)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	(c)	215.48	214.79	217.05	236.23 (2/1/90)	190.96 (24/8/90)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High (c) (2947.28) Low (c) (2868.07)

STANDARD AND POOR'S	Feb. 18	Feb. 15	Feb. 14	Feb. 13	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	(c)	369.06	364.22	369.01	369.06 (15/2/91)	295.46 (11/10/90)	369.06 (15/2/91)	4.40 (1/6/32)
Industrials	(c)	435.43	429.49	434.97	437.37 (16/7/90)	346.86 (11/10/90)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	(c)	28.68	28.22	28.80	31.87 (3/1/90)	18.80 (29/10/90)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	(c)	201.29	198.92	201.18	201.29 (15/2/91)	162.20 (11/10/90)	201.29 (15/2/91)	4.46 (25/4/42)
Amex Mkt. Value	(c)	342.73	340.80	342.94	382.45 (5/1/90)	288.07 (30/10/90)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	(c)	448.71	444.31	447.97	469.60 (16/7/90)	325.44 (16/10/90)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb.15	Feb. 8	Feb. 1	year ago (approx.)
Dow Industrial Div. Yield	3.44	3.57	3.70	4.14

	Feb. 13	Feb. 6	Jan.30	year ago (approx.)
S & P Industrial div. yield	2.91	3.01	3.20	3.09
S & P Indl. P/E ratio	17.89	17.39	16.58	14.23

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Philip Morris	3,690,800	62	+ 1⅛
Boeing	3,302,400	49	+ 1
Gen. Electric	3,191,200	69⅝	+ 2¼
Pepsico	2,907,000	32	+ ¼
Wal-Mart	2,860,000	37⅛	+ 1⅛
IBM	2,738,900	137⅛	+ 2⅜
Exxon	2,442,900	53⅛	- ⅜
AT & T	2,400,100	34⅛	+ ½
Am. Express	2,338,500	26⅞	+ ⅝
Nabisco RJ	2,291,000	7⅛	- ⅛

TRADING ACTIVITY

† Volume Millions	Feb. 18	Feb. 15	Feb. 14
New York	(c)	222.370	230.750
Amex	(c)	15.572	18.127
NASDAQ	(c)	155.034	191.673
Issues Traded	(c)	2,040	2,032
Rises	(c)	1,173	607
Falls	(c)	470	1,034
Unchanged	(c)	397	391
New Highs	(c)	97	152
New Lows	(c)	2	1

CANADA

TORONTO	Feb. 18	Feb. 15	Feb. 14	Feb. 13	1990-91 HIGH	1990-91 LOW
Metals & Minerals	3216.00	3177.95	3166.28	3203.39	3453.05 (4/1/90)	2486.60 (8/11/90)
Composite	3530.70	3506.55	3492.25	3519.24	4009.47 (3/1/90)	3009.91 (16/10/90)
MONTREAL Portfolio	1882.70	1867.39	1864.26	1882.70	2060.90 (3/1/90)	1607.24 (16/10/90)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 19	Feb. 18	Feb. 15	Feb. 14	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1398.7	1399.3	1376.6	1372.9	1399.3 (18/2)	1204.5 (16/1)
All Mining (1/1/80)	609.7	607.5	600.1	600.7	609.7 (19/2)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	501.52	490.16	479.83	459.07	501.52 (19/2)	390.84 (15/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5563.58	5406.21	5320.18	5252.18	5563.58 (19/2)	4664.84 (16/1)
DENMARK						
Copenhagen SE (3/1/83)	346.78	341.69	335.95	329.27	346.78 (19/2)	302.26 (8/1)
FINLAND						
Unitas General (1975)	384.0	381.7	378.4	372.9	387.9 (2/1)	348.4 (9/1)
FRANCE						
CAC General (31/12/82)	451.55	444.80	440.34	437.99	451.55 (19/2)	394.88 (15/1)
CAC 40 (31/12/87)	1700.93	1694.96	1670.39	1652.68	1700.93 (19/2)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	671.26	658.84	638.99	637.51	671.26 (19/2)	570.48 (15/1)
Commerzbank (1/12/53)	1912.5	1877.7	1818.5	1812.9	1912.5 (19/2)	1612.5 (15/1)
DAX (30/12/87)	1587.13	1572.57	1531.19	1486.52	1587.13 (19/2)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3467.84	3473.42	(c)	(c)	3473.42 (18/2)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1303.94	1304.91	1278.42	1268.07	1304.91 (19/2)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	570.35	570.38	553.50	547.43	570.38 (18/2)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	26166.98	26230.01	25343.74	25356.37	26230.01 (18/2)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1957.61	1954.81	1896.04	1898.47	1957.61 (19/2)	1625.00 (17/1)
2nd Section (4/1/68)	2959.20	2935.24	2852.30	2837.41	2959.20 (19/2)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	555.34	545.96	(c)	(c)	555.34 (19/2)	470.41 (16/1)
NETHERLANDS						
CBS Ttl Rtn.Gen.(End 1983)	245.7	244.8	242.9	240.6	245.7 (19/2)	221.4 (16/1)
CBS All Shr (End 1983)	179.7	179.0	177.6	175.9	179.7 (19/2)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	675.21	673.86	676.74	680.58	680.58 (14/2)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	894.52	885.10	874.71	862.48	894.52 (19/2)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	377.05	376.48	(c)	365.24	377.05 (19/2)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1008.0*	1026.0	1036.0	1044.0	1367.0 (14/1)	976.0 (6/2)
JSE Industrial (28/9/78)	3242.0*	3199.0	3178.0	3144.0	3242.0 (19/2)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	669.45	674.09	(c)	(c)	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	256.36	256.98	254.08	247.16	256.98 (18/2)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen (1/2/37)	1010.2	993.7	985.9	964.7	1010.2 (19/2)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	686.0	685.8	676.0	668.7	686.0 (19/2)	590.4 (14/1)
SBC General (1/4/87)	581.5	582.2	574.2	567.9	581.5 (19/2)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5048.48	(c)	(c)	(c)	5048.48 (19/2)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	823.65	821.21	774.52	766.24	823.65 (19/2)	582.48 (16/1)
WORLD						
M.S. Capital Intl (1/1/70) (S)	522.5*	524.2	517.6	516.0	524.2 (18/2)	439.1 (16/1)

**Saturday February 16: Taiwan Weighted Price: (c). Korea Comp Ex. (c).
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 19 February 1991

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	51.4m	514	0
M'sui Shpbldg	46.1m	647	+17
M'bishi Mtrls	38.5m	662	+27
M'bishi Heavy	36.5m	860	+1
S'tomo Cement	30.7m	830	+26
Nippon Mng	29.3m	680	+80
NKK	25.0m	452	-3
Kawasaki Stl	23.6m	465	0
Furukawa Elec	22.4m	650	+5
Kurabo Inds	22.2m	1,710	+80

3:15 pm prices February 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13¾	9¼	AAR Corp			8	511	13	12⅝	12⅞	
25⅞	21⅝	A L Labs A			18	118	22¾	22⅝	22⅝	-⅛
52¼	40⅞	AMP Inc	1.44	0.03	18	591	49⅜	48¾	49	-½
60½	44¼	AMR				825006	60⅛	58⅞	59⅛	-¾
2⅜	1¼	ARX				4 448	2	1⅝	1⅝	-⅜
48⅛	41½	ASA x	3.00	0.07	12	704	43¾	42¾	43⅜	+⅜
47⅞	39¼	Abbott Lab				215535	47	45⅝	46¾	-¼
13	9⅞	Abitibi Pr			31	10	12¼	12⅛	12⅛	-⅛
11⅛	10⅜	ACM Gvt In				527	11	10⅞	11	
9⅜	8¾	ACM GvOpp				57	9⅛	9	9⅛	+⅛
9	8¼	ACM Gvt Sp				320	u9	8⅞	9	
10⅜	9⅞	ACM Gvt Se x				411	10⅝	10½	10⅝	+⅛
8⅛	7⅝	ACM Man				252	u8⅛	8	8	
12½	11⅞	ACM Managd				258	u12½	12⅛	12⅜	+⅛
7⅛	4⅞	Acme Cleve	0.40	0.06	19	163	6⅞	6½	6⅝	-⅛
6	4¾	Acme Elect			17	126	5⅜	5	5⅜	
35½	22¾	Acuson			26	731	u35¾	34⅝	35¾	+1
16¾	14¼	Acme Exp x	0.48	0.03	0	136	16⅝	16⅜	16⅜	-⅛
20	18⅞	Adobe12Pf				26	19⅞	19⅝	19⅝	-⅛
9¼	7½	Adobe Res			13	409	9	8⅝	9	+⅜
26½	18	Ad Micro				2	25⅝	25½	25½	-⅛
8⅛	4⅝	Ad Micro P	3.00	0.39	152	197	7⅞	7¾	7¾	-⅛
4⅜	2⅛	Advest Grp				2 242	3⅞	3⅝	3⅝	
48⅞	33⅞	Aetna Lf				61630	48⅛	47⅛	47⅞	-⅞
9½	6⅞	Affil A x	0.24	0.02	26	148	9⅜	9¼	9¼	
17⅞	12	Ahmanson x	0.88	0.05		91654	17	16½	16¾	-⅛
3⅞	2⅞	Aileen Inc			7	76	3½	3⅜	3½	+⅛
61½	51⅛	Air Pr Chm			13	769	60⅜	59⅝	59⅝	-½
25	16⅝	Airbe Frt x	0.30	0.01	13	349	24	23⅛	23¼	+⅜
16⅞	12½	Airgas Inc			17	185	15⅛	14½	14½	-⅝
14½	10	Airlease	2.49	0.19	6	83	13	12⅞	13	
92½	88¼	AlaPw8.16				2	u92½	92½	91½	-1
0	0	AlaPw PfA				30	u23	23	23	+23
102	100	AlaPw9.44				2	u102½	102½	102½	+1½
107	104½	Alab Pw 11				20	106	106	106½	
100⅛	98	Alab Pw 9P				2	99⅛	99	99	-1
92	89	Alab 8.28C				z100	u92	92	92	+1
10⅜	9⅜	AlaPwDpPf				66	10	9⅞	10	+⅛
[illegible]										

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Quote	Close Prev. Close
21¾	14¼	Xtra Corp	0.72	0.03	11	315	21½	21¼	21½	+¼
1	⅝	Zapata			0	23	13/16	⅞	⅞	
7¾	6⅛	ZenithElec			8	695	7½	7⅛	7½	+¼
15½	12	Zenith Nat	1.00	0.06	32	29	u15⅝	15½	15½	
5	4½	Zenix Inc	0.26	0.05		156	4⅞	4⅞	4⅞	
13⅛	10⅞	Zero Corp	0.72	0.06	13	324	13	12⅝	13	−⅛
41⅛	29½	Zurn Ind	0.88	0.02	16	149	39½	38⅝	38⅝	−⅛
12¼	10¼	Zweig Fund				132	u12¼	12⅛	12⅛	−⅛
9¾	8½	Zweig Totl				636	u9¾	9⅝	9¾	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless *otherwise noted, rates of dividend are annual disbursements* based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, *omitted, deferred, or no action taken at latest dividend meeting.* k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the *past 52 weeks. The high-low range begins with the start of trading.* nd-next day delivery. P/E price-earnings ratio. r-dividend *declared or paid in preceding 12 months, plus stock dividend.* s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid *in stock in preceding 12 months,* estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. *xdis-ex-distribution. xw-without warrants. y-ex-dividend and* sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices February 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pat HltP		8	z100	8⅞	8⅞	8⅞	+⅛
Phil LD		5	317	u13½	13¼	13⅜	+⅛
Pittway A		10	93	23¼	23	23¼	+⅛
Ply-Gem x	0.12	12	30	7¼	7⅛	7⅛	−⅛
PresidioA		3	877	5	4⅞	5	+⅛
Price Com		0	16	13/16	13/16	13/16	
Pro Med		11	15	6⅞	5⅞	5⅞	−¼

NASDAQ NATIONAL MARKET

3:15 pm prices February 19

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		38	882	18¼	17½	18	−¼
XL Data		4	321	7⅛	6⅞	6⅞	−⅛
Xoma Corp		16	3703	28¼	26½	26½	−1½
YankeeEnS		15	115	20¼	19¾	20¼	
Yellow Fr x	0.94	14	1131	33¼	32½	32⅞	−¼
York Rsch		16	1834	15⅛	14⅝	15⅛	+⅜
ZionsUtah y	0.60	9	14	36½	36½	36½	

FINANCIAL TIMES Wednesday February 20 1991

AMERICA

Dow declines on reaction to Soviet peace proposal

Wall Street

SHARE PRICES traded in a narrow range, only slightly below opening values, yesterday morning, as the stock market waited to see whether the Soviet-inspired Gulf war peace proposal had any chance of success, *writes Patrick Harverson in New York.*

By 1.30 pm the Dow Jones Industrial Average was down 15.84at 2,918.81. The broader based Standard & Poor's 500 was also weak, down 0.41 at 368.65, but sporadic buying of over-the-counter stocks helped lift the Nasdaq composite 0.34 to 449.05.

Turnover was 117.5m shares by 1 pm, slightly below the average of recent weeks, with declining issues outnumbering advancing issues by 871 to 623.

The hiatus caused by the wait for news on the peace proposal allowed some investors to take profits after last week's 107-point gain. Comments from Mr George Bush, the US president, that the peace plan fell far short of the conditions laid down by the allies kept the mood cautious.

The tone of the market, however, remained positive, said analysts. Dealers and investors still hope that the Federal Reserve will cut interest rates again soon to stimulate domestic economic activity.

Hewlett-Packard, the big computer group, moved sharply against the grain, rising $5 or 12.5 per cent to $45⅝ on turnover of 1.5m shares following news of a rise in first quarter profits.

Quaker Oats, the food group, rose $1¾ to $55⅝ on the news that it plans to spin off its toy-making Fisher-Price division. Quaker Oats has been looking for ways to divest itself of Fisher-Price for several years, and had been holding sale talks recently with a potential buyer.

Circus Circus slipped $¼ to $61 after Mr William Bennett, the chairman, sold 900,000 shares in the hotels and casino operator. Mr Bennett is due to retire within the next year.

General Mills rose $⅜ to $52¾ after the company said that it should make a profit in the fiscal third quarter in spite of weak sales at its restaurants.

Among secondary issues Liz Claiborne, a specialised clothing retailer, gained $3¼ to $39¾ on volume just short of 1m shares, after news of record sales and profits for the fourth quarter and full year.

The Limited, another small clothing retailer, which is listed on the Big Board, also firmed on earnings news. The Limited's shares advanced $⅝ to $24⅛, near its high for the year, after reporting a 10 per cent rise in sales and a 12 per cent rise in income during the fourth quarter, both at the high end of analysts' forecasts.

Canada

TORONTO recovered from a weak opening and was flat in very slow trade at midsession. Developments in the Gulf and the presentation of the new federal budget next Tuesday clouded the short-term outlook. The composite index fell 2.2 to 3,529.4. Advances narrowly led declines by 211 to 209 on volume of 14.6m shares.

Gold shares followed bullion futures lower. Placer Dome eased C$⅛ to C$16⅝, American Barrick fell C$⅜ to C$22⅜, Echo Bay dropped C$¼ to C$9¼ and Teck class B rose C$⅜ to C$22⅝.

Portugal pins hopes on privatisation plans

But some analysts are not convinced by the market recovery, writes Patrick Blum

THE EXPECTED resumption next month of Portugal's privatisation programme, with the completion of the sale of Aliança Seguradora, an insurance company already 49 per cent privatised, is expected to give a welcome boost to activity on the country's two small stock exchanges in Lisbon and Oporto.

Mr Miguel Beleza, the Finance Minister, announced last Thursday that the privatisation programme, which had been halted in mid-January because of the Gulf war, would resume shortly. He gave no specific details of the companies involved, but officials confirmed that the remaining 51 per cent of Aliança would be sold in the first half of March.

The announcement has come at a propitious time: activity on the local exchanges shows signs of picking up as international bourses rise on hopes of peace in the Gulf. The Banco Totta & Açores (BTA) index has risen by 16.5 per cent in just over a month, from 1,986.6 on January 16, its lowest point this year, to 2,314.4 yesterday.

However, not all investment analysts are convinced about the strength, or the durability of the recovery on the Portuguese market, which had been in the doldrums for months. The index fell throughout last year and, in spite of recent improvements, remains well below its January 1990 peak of 3,281.0.

"We are seeing a reaction linked to events in the Gulf, but it is likely to be short-lived as the market focuses on economic fundamentals again," says Mr João Rendeiro, an analyst with Gestifundo, the fund managers.

The flight of foreign investors away from the Portuguese market last year was a major contributor to the index's decline. Foreign investors own 12.5 per cent of the total equity market capitalisation – among the the highest ratios in the world, according to Mr Rendeiro – and they account for a major proportion of turnover in shares. In the final quarter of 1990 foreign investors became net sellers of shares, although international interest appears to be picking up again and to be responsible for the index's recent rise.

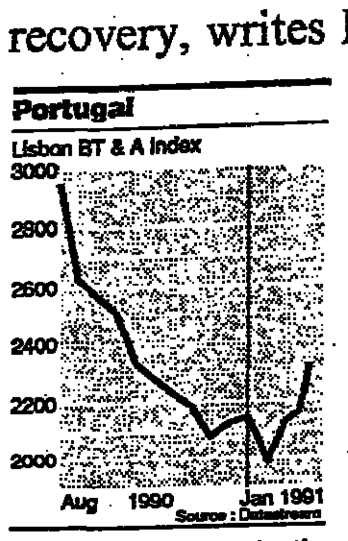
The small size of the Portuguese market and its relative lack of sophistication are other handicaps that will take time to overcome. There is not enough research about the market of necessary quality, analysts say.

In spite of these problems, the government's privatisation programme has helped to draw investors, both domestic and foreign. At home, officials say that 160,000 new shareholders have been created through the privatisations, although the performance of privatised shares has been disappointing.

Only shares in BTA and Aliança have shown significant gains since privatisation. Most others have fallen in value, although this is thought to be more the result of excessive pricing when they were privatised than of any inherent weaknesses in the companies.

Portugal

Lisbon BT & A index



Source: Datastream

The final flotation of Aliança is to be followed by the privatisation of Sociedade Financeira Portuguesa, an investment company; of Bonança and Mundial Confiança, both insurance companies; and of the Banco Fonsecas & Burnay.

Other privatisations earmarked to take place before a general election due by next October include Petrogal, the state-owned oil group; Secil, a cement manufacturer; and a second 33 per cent tranche in Banco Português do Atlântico and the first third of Banco Espirito Santo e Comercial de Lisboa, Portugal's largest and second largest commercial banks respectively.

Officials say that controversial limits on the purchase of privatised shares by foreigners will be eased considerably for some privatisations, although not for the major banks.

Efforts to modernise and streamline the market took a small step forward on Monday with the launch of an official daily index for the Lisbon exchange. The new index incorporates all officially quoted securities on the exchange and, it is claimed, will give a more accurate and detailed picture of developments than existing indices. Mr Pestana Teixeira, president of the Lisbon Bolsa, said he expected it would take some time for the new index to establish itself.

EUROPE

La Générale spurs on Brussels and Paris

A 7.1 per cent rise in Société Générale de Belgique shares provided excitement in Brussels and Paris yesterday. Otherwise, early gains were eroded on the cautious US reaction to the Soviets' Gulf peace initiative and as Wall Street opened lower. Nevertheless, several bourses closed at their highest level for almost six months, *writes Our Markets Staff.*

BRUSSELS moved ahead at the start of the new fortnightly account, on demand from domestic institutions and individuals. The cash market index rose 157.37 or 2.9 per cent to 5,563.58, its best close since August 31, in volume of BFr1.3bn. Société Générale de Belgique continued to advance, gaining BFr155 to BFr2,325 with 48,000 shares traded.

Analysts said that the share price was making a delayed reaction to the sale last week of Mr Carlo De Benedetti's remaining stake in La Générale to Suez of France, and on hopes that the new management would improve earnings. Some analysts, however, felt that the 13.7 per cent rise over two days was overdone.

PARIS hit a five-and-a-half month high in unusually heavy volume for the penultimate day of the trading account. Turnover grew to about FFr3.1bn from FFr2.5bn, as the CAC 40 index rose to 1,719.54, before easing back to close at 1,700.93, up 5.97.

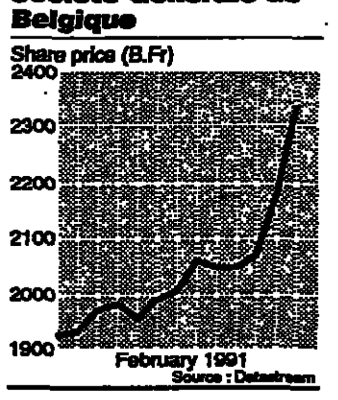
Suez was heavily traded, rising to FFr312 before ending FFr7.90 higher at FFr306.40, with 727,300 shares changing hands. Speculation focused on its holding in La Générale.

Buying interest centred on blue chips. Peugeot, which had lagged behind the bourse, reached a day's peak of FFr522 and ended FFr5 higher at FFr510 on 341,900 shares.

STOCKHOLM rose to a year's high on Gulf peace hopes and lower domestic interest rates. The Affärsvärlden General index advanced 16.6 to 1,010.303 – its best level since late-September – as turnover grew to SKr503m from SKr371m.

Société Générale de Belgique

Share price (B.Fr)



Source: Datastream

Results in the banking sector left S-E Banken C shares down SKr2 at SKr66 and Handelsbanken Bs SKr4 lower at SKr125.

FRANKFURT was 2 per cent higher in the morning and nearly 8 per cent better since last Thursday night, but this inevitably brought in profit-taking yesterday, said Mr Detlev Klug at B Metzler in Frankfurt. After a rise of 12.42 to 671.26 in the FAZ at midsession, the DAX index closed 14.56, or less than 1 per cent, higher at 1,587.13 after peaking at 1,604.18.

Volume was maintained at DM9.2bn. Mr Klug said that domestic institutional buying had absorbed traders' selling yesterday, and that the fund managers' search for bargains among the laggards left the automotive and construction sectors with above average gains. Daimler rose DM16.50 to DM604 and Philipp Holzmann picked up DM85 or 7.6 per cent to DM1,200.

One special situation, Puma, exaggerated the market trend. Aritmos, the Swedish sports group, raised its stake from 49 to 72 per cent over the weekend, and Puma shares rose from DM183 before the deal to DM220 at one stage yesterday. However, there were then stories suggesting top management changes at Puma, and the shares ended DM5 lower at DM205.

MILAN paused after rising for the previous 11 sessions. Some profit-taking was evident, and prices eased further after hours. The Comit index was 0.03 down at 570.35, in volume estimated at L250bn after Monday's heavy L300bn.

Generali added L320 to L35,660 on the news that it planned to set up a life insurance company with Banca Commerciale Italiana (BCI); RAS, the subsidiary of Germany's Allianz; and Toro, the insurer controlled by the Agnelli family. BCI eased L35 to L4,515 and Toro slipped L45 to L22,195.

However, La Fondiaria, the insurer, which has been excluded from the new company in spite of a letter of intent with BCI, fell L760 or 1.7 per cent to L43,200.

AMSTERDAM came off the day's high of 89.0 on the CBS Tendency index, closing 0.5 better at 88.4 in turnover of Fl 849m, up from Fl 786m.

The insurance sector continued to provide interest. Nat-Ned rose 20 cents to Fl 56.60; its extraordinary meeting opened, enabling shareholders to question the board about its merger with NMB-Postbank. Aegon, which is opposed to the merger and has a stake of more than 10 per cent in Nat-Ned, fell Fl 1.90 to Fl 119.80.

MADRID ended little changed, the general index finishing 0.62 lower at 256.36. Repsol lost Pta55 to Pta2,465 after the previous day's results, but Nissan Motor Iberica, the car company and a market laggard, gained Pta24 or 4.9 per cent to Pta510.

OSLO saw Den norske Bank fall NKr2.5 to NKr92 after reporting a net loss for 1990. The all-share index edged up 0.06 to 465.65.

ATHENS shot up 9.4 per cent. Optimism about corporate prospects and hopes of reform in the banking sector lifted the general index by 104.92 to 1,221.39. ISTANBUL's 75-share index added 81.0 or 1.5 per cent to 5,326.23.

VIENNA gained another 2 per cent in active trading extended by 15 minutes. The bourse index rose 10.93 to 554.94, its sixth successive year's high.

SOUTH AFRICA

MOST SHARES rose in Johannesburg, although golds eased as the bullion price fell. The JSE overall index gained 38 to 2,792, while the gold index lost 18 to 1,008. Allied, the object of a takeover battle, recouped 12 cents to R2.80.

ASIA PACIFIC

Profit-taking hits Nikkei in volume of 1.5bn shares

Tokyo

INVESTORS took profits following the sharp rise on Monday, and the Nikkei 225-share average closed lower after fluctuating in the heaviest volume for 15 months, *writes Emiko Terazono in Tokyo.*

The Nikkei, which climbed 3.4 per cent the previous day, lost 63.03 points at 26,166.98. First market volume increased from Monday's 1.2bn shares to 1.5bn, the largest day's total since November 29, 1989. Mr Shin Tokoi, director of equity sales at County NatWest Securities, said that while foreign activity was low because of Monday's holiday in the US, domestic investors traded actively.

The index gyrated on selling by investment trusts and buying by financial institutions and individuals. It opened at 26,243.91 and set a day's low of 26,051.78 in the morning session. Dealer-led buying after lunch pushed it to the session's high of 26,481.75.

Overall advances still led declines at the finish, however, by 568 to 470, while 112 issues were unchanged. The Topix index of all first section stocks gained a modest 2.80 to 1,957.61, and in London the ISE/Nikkei 50 index added 9.17 at 1,527.55.

Traders said that with New York closed, activity in the bond and currency markets was subdued. Mr Ian Marklew at Barclays de Zoete Wedd said share prices lacked direction, but that lower priced large-capital issues were traded heavily to sustain momentum in the market.

Investors focused on steels, shipbuilders, and trading houses with low ratings. Nippon Steel, the most active issue of the day, remained unchanged at Y514, Mitsui Shipbuilding advanced Y17 to Y647 and Mitsubishi Heavy Industries firmed Y1 to Y850.

High-priced electricals receded on profit-taking. Sony shed Y110 to Y6,980 and TDK closed Y10 off at Y5,290.

Takuma, a leading water treatment plant maker, put on Y20 to Y1,430. The issue has been popular recently on reports that its sales reached record highs last year. The company is also benefiting from increased demand for its garbage incinerators.

Electric cable and wire issues were higher on reports that Nippon Telegraph and Telephone plans to increase facility investment to a record Y1.8 trillion (million million) in the year to March 1992.

Oil manufacturers were stronger on hopes of peace in the Gulf. Arabian Oil climbed Y600 to Y7,950 and Teikoku Oil Y36 to Y1,000.

Some banks were firm on reports that the Nikkei's recovery to above 26,000 would enable the city banks to fulfil the capital adequacy ratio set by the Bank for International Settlements. Fuji Bank improved Y20 to Y2,520 and Sumitomo Bank Y40 to Y2,400.

Toyo Kanetsu, a leading liquefied natural gas tank maker, rose Y70 to Y1,170. The issue has been popular recently due to its warrant bond launched on February 18.

In Osaka, the OSE average advanced for the eleventh consecutive day, adding 346.30 at 28,979.57, and volume rose to 174.7m shares from 168.4m.

Daiwa Industries, a manufacturer of industrial freezers and refrigerators, moved ahead Y60 to a record high of Y1,060. The company expects a 21 per cent increase in pre-tax profits due to brisk exports. Investors were encouraged by the conversion of its domestic convertible bonds into equity.

Roundup

PACIFIC Rim markets were mixed yesterday. A radio report on the prospects of an early Gulf peace settlement lifted some off their session's lows.

TAIWAN surged to a six-month high in active buying at the start of the Chinese new year. The weighted index finished 6.74 per cent or 318.83 higher at 5,048.48, the best close since August 5 last year. Volume fell to T$44.19bn from the T$68.85bn registered on February 11, when the market closed for the lunar new year holidays.

SINGAPORE recouped initial losses following a BBC radio report that a Gulf peace agreement may be near. The Straits Times Industrial index lost 12.99 before closing a net 1.17 up at 1,379.30. Volume slipped to S$259m from S$321m. In **KUALA LUMPUR**, the composite index rose 9.38 to 555.34 on 153.3m shares traded (183.9m).

SEOUL eased slightly after rising 4.5 per cent on Monday, the biggest single-day gain so far this year. The composite index shed 4.64 to 669.45 in volume of Won359bn, up from Won237.9bn. Financials fell on rumours of a severe financial problem linked to a recent bribery scandal.

HONG KONG broke a five-session winning streak as early gains gave way to profit-taking. The Hang Seng index dipped 5.58 to 3,467.84 amid turnover of HK$1.65bn (HK$1.89bn).

AUSTRALIA stayed in a narrow range as trading centred on the expiry of options contracts this week, although late in the day a programme trade worth A$30m via James Capel enlivened activity. The All Ordinaries index ended 0.6 off at 1,398.7 and turnover eased to A$227m from A$265m.

NEW ZEALAND saw profit-taking. The Barclays index shed 16.04 to 1,385.56. Turnover rose to NZ$18.2m (NZ$8.2m).

MANILA closed higher on speculative buying of commercial stocks. Players centred on Engineering Equipment Inc (EEI), which closed up 0.04 peso at 0.52 peso on reports that foreign construction companies wanted stakes in EEI. The composite index rose 9.42 to 894.52 on volume of 97.7m pesos, against 125.6m.

BOMBAY shot up on reports that the government may defer the budget, due on February 28. The BSE index soared 110.29 (10.6 per cent) to 1,149.89.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY FEBRUARY 18 1991								FRIDAY FEBRUARY 15 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	133.13	+1.8	100.70	109.74	102.75	112.14	+1.7	6.12	130.81	98.45	107.83	100.38	110.28	158.31	112.74	146.02
Austria (19)	216.80	+1.4	163.99	178.71	167.33	167.05	+2.0	1.63	213.73	160.85	176.18	164.01	163.74	285.63	167.00	264.71
Belgium (60)	148.82	+0.9	112.57	122.68	114.85	112.12	+1.6	5.25	147.43	110.95	121.51	113.13	110.34	160.02	121.73	142.01
Canada (116)	140.38	+1.1	106.18	115.70	108.33	117.15	+0.9	3.43	138.89	104.53	114.48	106.57	116.11	153.61	121.24	140.45
Denmark (32)	267.09	+1.3	202.03	220.16	206.13	207.24	+1.9	1.45	263.56	198.35	217.25	202.24	203.42	277.62	217.74	250.57
Finland (21)	111.83	−1.1	84.59	92.19	86.31	84.36	−0.8	3.94	113.11	85.13	93.24	86.80	85.02	152.29	90.61	149.52
France (113)	146.75	+0.9	111.01	120.96	113.25	116.31	+1.4	3.55	145.46	109.47	119.89	111.61	114.71	168.85	121.85	145.77
Germany (88)	123.44	+2.4	93.37	101.76	95.27	95.27	+3.0	2.39	120.53	90.71	99.36	92.49	92.49	144.63	101.38	132.10
Hong Kong (48)	141.74	+1.8	107.22	116.83	109.40	141.81	+1.9	4.73	139.22	104.78	114.76	106.84	139.23	147.49	112.24	121.37
Ireland (16)	166.03	+1.8	125.58	136.85	128.14	130.44	+2.4	3.51	163.11	122.76	134.45	125.17	127.33	198.57	132.88	190.40
Italy (91)	88.19	+2.8	66.71	72.69	68.06	73.34	+3.2	3.44	85.79	64.56	70.71	65.83	71.05	109.26	72.05	96.89
Japan (453)	146.97	+3.0	111.17	121.14	113.44	121.14	+3.0	0.71	142.83	107.34	117.57	109.47	117.57	197.26	106.58	183.00
Malaysia (34)	228.33	+3.0	172.71	188.20	176.21	236.77	+3.3	3.19	221.69	166.84	182.73	170.11	229.29	250.89	182.96	244.72
Mexico (12)	598.17	−0.9	452.47	493.06	461.68	1944.38	−0.5	0.35	603.36	454.07	497.34	463.00	1954.96	613.96	324.53	374.40
Netherland (41)	144.27	+0.3	109.13	118.91	111.35	110.13	+0.9	4.88	143.86	108.27	118.58	110.40	109.16	149.03	125.70	137.51
New Zealand (15)	51.38	+1.6	38.86	42.35	39.65	45.01	+1.5	7.65	50.59	38.07	41.70	38.82	44.33	75.36	41.18	66.67
Norway (30)	210.59	−1.1	159.29	173.59	162.53	165.85	−0.5	1.66	213.01	160.31	175.58	163.46	166.75	276.79	182.24	241.39
Singapore (25)	191.62	+4.1	144.95	157.95	147.89	151.31	+4.3	2.75	184.05	138.51	151.71	141.23	145.08	208.24	147.24	196.98
South Africa (60)	195.91	+2.9	148.19	161.48	151.20	137.04	+0.6	3.97	190.35	143.26	156.90	146.07	136.20	251.39	151.50	215.59
Spain (41)	166.26	+1.2	125.76	137.05	128.32	116.57	+1.7	4.87	164.30	123.65	135.43	126.08	114.64	182.25	128.54	155.38
Sweden (27)	183.95	+1.0	139.14	151.63	141.97	151.00	+1.4	2.72	182.16	137.09	150.16	139.79	148.92	234.93	146.60	182.03
Switzerland (65)	100.67	+0.8	76.15	82.99	77.71	79.45	+1.3	2.60	99.85	75.15	82.31	76.63	78.43	109.77	82.17	97.59
United Kingdom (296)	182.40	+0.5	137.97	150.33	140.76	137.97	+1.0	5.09	181.45	136.56	149.55	139.23	136.56	182.40	139.87	159.24
USA (526)	149.35	+0.0	112.97	123.12	115.28	149.35	+0.0	3.90	149.35	112.40	123.12	114.62	149.35	149.38	119.06	194.62
Europe (940)	149.28	+1.1	112.92	123.05	115.22	114.41	+1.6	4.06	147.72	111.17	121.76	113.36	112.63	157.65	124.91	142.59
Nordic (110)	189,75	+0.8	143.53	156.41	146.44	145.42	+1.3	2.06	188.27	141.69	155.19	144.48	143.60	223.29	156.55	190.52
Pacific Basin (650)	145.92	+3.0	110.38	120.28	112.62	121.15	+3.0	1.03	141.72	106.65	116.82	108.75	117.66	192.75	107.82	179.30
Euro – Pacific (1590)	147.66	+2.2	111.69	121.71	113.96	119.14	+2.4	2.30	144.53	108.77	119.12	110.90	116.37	174.18	116.03	164.82
North America (642)	148.71	+0.1	112.49	122.59	114.79	147.21	+0.0	3.31	148.62	111.85	122.52	114.07	147.13	148.71	119.26	184.88
Europe Ex. UK (644)	128.93	+1.5	97.53	106.30	99.53	100.58	+2.0	3.34	127.08	95.64	104.77	97.54	98.61	145.82	106.95	131.11
Pacific Ex. Japan (197)	132.77	+2.0	100.43	109.45	102.48	117.05	+2.0	5.29	130.12	97.93	107.28	99.86	114.71	146.72	111.40	134.70
World Ex. US (1778)	148.16	+2.1	112.07	122.13	114.35	119.73	+2.3	2.35	145.06	109.17	119.58	111.32	117.02	173.77	117.12	164.60
World Ex. UK (2008)	143.99	+1.5	108.92	118.70	111.14	128.09	+1.6	2.38	141.87	106.77	116.95	108.88	126.13	162.00	115.37	152.27
World Ex. So. Af. (2244)	147.10	+1.4	111.27	121.27	113.54	128.99	+1.5	2.67	145.11	109.21	119.62	111.38	127.06	161.84	118.04	152.49
World Ex. Japan (1851)	149.08	+0.6	112.76	122.89	115.07	133.12	+0.7	3.69	148.25	111.57	122.21	113.78	132.15	151.59	124.31	138.86
The World Index (2304)	147.40	+1.4	111.49	121.50	113.77	129.05	+1.6	2.68	145.38	109.41	119.84	111.57	127.14	162.05	118.33	152.87

Latest prices were unavailable for this edition. US market closed February 18.